EUROPE'S BUSINESS NEWSPAPER
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CHINA DELAYS
Reforms may be put on two-year hold
Page 18

World News

UK expels three Czech diplomats

Three Czechoslovak diplomats were expelled from Britain for "engaging in activities incompatible with their status," bringing to seven the number of foreign envoys ordered to leave the country within the last month. The moves marks a toughening of the UK Government's attitute towards foreign diplomats.Page 8

N Sea rig explodes
An explosion and fire ripped through a North Sea oil rig 130 miles off the Scottish coast and one person was missing, the UK Ministry of Defence said. Sixty-six of the 67 crew were brought to safety from the Ocean Odyssey rig operated by the ARCO oil company. Page 8

New SA fugitive
South Africa withdrew a warrant for the arrest of a black fugitive who has took refuge in the US Consulate in Johannesburg on Wednesday. The fugitive joined three prominent activists who fled to the consulate last week.

Hurricane re-run
Hurricane Helene churned across the open sea toward the storm-ravaged Caribbean following nearly the same westerly course taken by Hurricane Gilbert, which grew into the century's most destructive storm last week.

Rabin escape
Israeli Defence Minister Yitzhak Rabin's walkabout tour of the occupied Gaza Strip town of Nablus ended in pandemonium when his party narrowly escaped attack by Palestinian stone-throwers. Israeli parties register for election. Page 4

Hirohito hands over
Emperor Hirohito of Japan, 87, handed over official duties to his son, Prince Akihito. The Emperor was stable after collapsing on Monday.

Mubarak begins tour
Egyptian President Hosni Mubarak began a week-long European tour to sound out views on the Palestinian problem, a revitalisation of the Non-Aligned Movement and easier credit terms for Egypt.

Chicago gun deaths
A gunman killed three men and a policewoman and critically wounded another policeman before he was shot and killed, Chicago police said.

Drug Swedes jailed
Two Swedes linked to a major doping scandal affecting the country's Olympic squad were jailed for five years for drugs smuggling.

Seoul boxing brawl
Five South Korean officials were suspended for attacking a New Zealand boxing referee who awarded a points victory to a Bulgarian over a local contender. Page 4

Business Summary

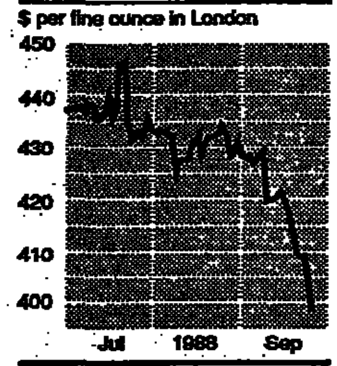
Increase in French trade deficit stuns markets

FRENCH financial markets were stunned after the government reported a seasonally adjusted visible trade deficit of FFr9bn for August. The markets had been expecting an August trade deficit of around FFr1.2bn. Page 18

BRITISH Petroleum shelved the flotation of its gold producing subsidiary because of the steep fall in the price of the precious metal in the past two weeks. Page 19

GOLD fell through the $400 an ounce level in London – and stayed there. After mid-day it reached a low of $392.25. Page 40

Gold Price
$ per fine ounce in London



MOET HENNESSY-Louis Vuitton (LVMH), the leading French champagne, cognac and luxury goods group, reported a 44.5 per cent increase in first half net profits to FFr634m ($100m) – despite the internal wrangling and shake-up in the shareholding structure. Page 19

EASTERN Air Lines, the deeply troubled operating subsidiary of Texas Air, came nearer a showdown with staff when mechanics and baggage handlers overwhelmingly rejected contract proposals which would have slashed their wages. Page 20

ALCAN Aluminium is again speeding up construction of its Laterriere smelter at Jonquiere, north of Quebec City. The decision was influenced by the continued strength of the world aluminium market. Page 20

UK Government was urged by the Labour opposition to block the hostile takeover bid by Minorco, the Luxembourg-based investment vehicle of the Oppenheimer South African mining empire, for Consolidated Gold Fields. Page 19

COLGATE-PALMOLIVE, the US cosmetics and detergents company, announced the creation of a new Brussels-based management board to run its $1.8bn-a-year European business "more effectively in the Europe of 1992." Page 20

TWO of the three Hunt brothers found guilty by a Federal jury in Manhattan last month of manipulating the silver market in 1979 and 1980 have filed for personal bankruptcy before a court in Dallas. Page 20

PNC FINANCIAL, one of the fastest growing US banks, continued along its expansionist road with the announcement of a deal to acquire Bank of Delaware. Page 20

Soviet troops move onto streets of Yerevan

By Quentin Peel in Moscow

SOVIET internal security troops backed by armoured vehicles yesterday moved on to the streets of Yerevan, capital of the Armenian republic, as up to 1m demonstrators converged on the city centre.

Tension in the city soared after yesterday's announcement of a state of emergency in the neighbouring region of Nagorno-Karabakh, where the ethnic Armenian population is campaigning to secede from the republic of Azerbaijan and join Armenia.

The troops are said to have made no move to disperse the vast rally of nationalists, who are demanding a fresh meeting of the republic's parliament to consider their demands for a boundary revision.

The troops were earlier reported to have set up roadblocks and imposed a massive security blanket.

The presidium of Armenia's Supreme Soviet earlier this week turned down demands that it hold a fresh vote on the boundary issue, arguing that the republic's territorial demands had already been rejected firmly by Moscow.

A Soviet Government spokesman in Moscow admitted that the situation in the enclave was "becoming even more threatening" in spite of the emergency measures, a dusk-to-dawn curfew and a ban on strikes and demonstrations.

No independent information has emerged from the region since the measures were announced. Telephone lines are said to be permanently busy.

Mr Vadim Perfilyev, deputy foreign ministry spokesman, said one man had died and 48 people had been injured in inter-communal violence – 33 Armenians and 15 Azerbaijani. Thirty houses had been burned down, the regional prosecutor's office attacked, and "illegal mass marches and rallies" continued in the capital, Stepanakert.

He denied that the Soviet authorities had instituted full-scale martial law, although he said that the military commander's orders would be broadcast on television and radio.

The emergency measures, officially described as a "special status" in the region, include a ban on strikes in response to a general strike which has lasted more than a week, closing schools and halting public transport.

"We cannot allow anarchy, lawlessness and infringements of the guaranteed constitutional rights and rightful interests of citizens of any nationality," Mr Perfilyev said.

He said the events in Nagorno-Karabakh "have effectively assumed the nature of a confrontation with the law and with the organs of power. This benefits those sowing the seeds of discord and hatred, afraid of life in Nagorno-Karabakh returning to normal and involved in theft, corruption and bribe-taking."

In Yerevan itself, the demonstrators have been demanding an emergency session of the republic's Supreme Soviet, ostensibly to renew its demand for Moscow to transfer jurisdiction of Nagorno-Karabakh. That was flatly rejected by the Soviet leadership in July, after a top Communist Party official

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IMF warns dollar rise may slow trade deficit reductions

By Philip Stephens, Economics Correspondent, in Berlin

MR MICHEL CAMDESSUS, Managing Director of the International Monetary Fund, warned yesterday that the dollar's rise this year may delay progress in reducing international trade imbalances.

His comments, ahead of the opening of the Fund's annual meeting in West Berlin, are thought to reflect growing concern within the organisation that the strong improvement in the US trade position over the past few months will not be sustained next year.

The Federal Reserve, the US central bank, and the Bundesbank, its West German counterpart, intervened in foreign exchange markets yesterday as the dollar firmed against the D-Mark. The Fed intervened in New York after the dollar rose above DM1.88 after the White House denied rumours that President Ronald Reagan had had a heart attack.

Mr Camdessus' comments are likely to provoke considerable irritation within the US Administration, which insisted at a meeting of high-level officials last week that the Fund's projections were far too pessimistic.

They also provide an awkward backdrop to a meeting tomorrow of finance ministers and central bankers of the Group of Seven (G7) nations which is expected to reaffirm the Group's commitment to maintaining exchange rates in their current ranges.

Mr Camdessus, speaking at a press conference, was careful to underline the benefits of the relative stability of foreign exchange markets this year. Against that background the dollar's rise did not justify too much gloom.

He added, however, that the appreciation could not be considered a "desirable" development. "This upward movement will make somewhat more difficult the reduction of the balance of payments deficit of the US", he said. His concern is understood to be based on the

Michel Camdessus: concerned

Fund's latest economic projections which suggest that, assuming present policies and exchange rates, the US current account deficit will level out at about $130bn in 1989 and then begin to rise again.

That analysis is vehemently rejected by the US Administration, which insists that the dollar's appreciation will not prevent further substantial reductions in the deficit.

Other members of G7 are also anxious to maintain the present calm on financial markets. A communique planned for after Saturday's talks will emphasise the progress made so far in reducing trade imbalances and the Group's success in promoting exchange rate stability.

The low-key nature of the meeting will be reinforced by the absence of Mr Kiichi Miyazawa, Japan's Finance Minister, who indicated yesterday that he would not be attending. Japanese officials said that the serious illness of Emperor Hirohito and a tight parliamentary schedule made it impossible for Mr Miyazawa to leave Tokyo.

Mr Camdessus indicated that he expected little in the way of major new initiatives to ease the debt crisis during the next

Continued on Page 18

Britain faces demotion from top tier

BRITAIN is set to lose its position as the second most powerful member of the International Monetary Fund, a role it has held since the Fund was established in 1945, writes Philip Stephens from Berlin. Its place is expected to be taken by Japan as part of a deal next year to increase the Fund's quotas, or capital base.

According to delegates attending this year's annual meeting of the Fund in Berlin, Britain will then move down to fourth or fifth place behind the US, Japan, West Germany and, possibly, France.

The demotion would follow Britain's loss to Japan two years ago of its number two ranking on the board of the World Bank, when it dropped to joint fourth with France.

No decision has yet been taken on the size or distribution of the IMF quota increase. The US, the largest shareholder with 19.14 per cent of the votes, indicated earlier this week that an agreement would not be possible until the Fund had taken concrete action to reduce the mounting level of debt arrears owed to it by developing countries.

But officials in Berlin said that it was widely anticipated that a quota increase would be implemented after the US presidential election, with April 1989 set as the target for the completion of negotiations. Yesterday Mr Michel Camdessus, managing director of the IMF, said that he hoped that the present SDR 90bn ($116bn) of quotas would rise by between 50 and 100 per cent

In theory, the contributions of each member towards such an increase should correspond with their present ranking in the Fund. Thus Britain, which now has 6.63 per cent of the votes on the Fund's executive board, would be expected to contribute the same proportion of any increase in quotas.

In fact, however, the level of contribution is traditionally adjusted using a series of complicated formulas designed to reflect the changing economic importance of each country.

That means that Japan's contribution will almost certainly be much higher than the 4.53 per cent implied by its present shareholding in the Fund.

France might consider cuts in nuclear force if talks progress

By Ian Davidson in Paris

FRANCE may be prepared to offer reductions in its shorter-range nuclear forces at some future date, in the event of serious progress in the upcoming East-West arms control negotiations on conventional forces, a senior official said in Paris yesterday.

The offer would represent a major turning-point in French policy. France has hitherto refused to offer any contribution to the process of nuclear arms control except on conditions so strictly defined as to be totally unrealistic.

At the same time it could introduce extra complications into the Vienna conventional force negotiations.

French Administration thinking on the issue is still at an early and tentative stage and falls well short of a hard or detailed proposal.

But the essence of the new development in French thinking is that the Soviet Union must first give convincing evidence – at the forthcoming Conventional Stability Talks (CST) in Vienna – of its readiness to conclude a satisfactory conventional arms control agreement, which means deep and asymmetrical cuts in Warsaw Pact forces.

These talks are likely to prove long and complex. However, if in two or three years the Soviet Union appeared to be satisfying Western requirements, then France could offer to slow down, or cut back, the modernisation of its theatre-based nuclear arsenal.

In practice, this would probably mean reducing, or cancelling, the Hades land-based mobile missile system which is scheduled for deployment early in the next decade.

Alternatively, a French nuclear offer might also apply to the nine squadrons of nuclear-weapon aircraft. By contrast, the six strategic nuclear missile submarines and the 18 land-based missiles on the Plateau d'Albion would in any case be excluded. The French Administration continues to insist, as do the other members of the Western some alliance, that nuclear weapons are not on the agenda of the CST because these negotiations will deal only with conventional forces. By implication, therefore, a conditional offer on French theatre nuclear weapons would appear to be intended to have the character of a sweetener or incentive to add impetus to the CST.

But a senior European diplomat yesterday reacted unfavourablyto the new French idea on the grounds that it might appear to imply a trade-off of tanks against nuclear weapons, which Nato has consistently refused.

The French official made clear that the development of the new ideas would need to be co-ordinated with the other members of the Nato alliance. Discussions within Nato were

Continued on Page 18
Trade figures, Page 2

Growth of European jobs market reveals skill shortage

By John Gapper in London

SKILLED labour shortages have emerged throughout Europe following a 1.6 per cent overall growth in employment in Organisation for Economic Co-operation and Development countries last year – one of the strongest ever recorded.

However, employment growth in most OECD countries is likely to slow to about 1 per cent between this year and 1989, and is unlikely to lead to a significant reduction in overall unemployment.

The OECD's 1988 Employment Outlook report says unemployment in several European countries is 1 per cent lower than it predicted a year ago, due to strong business growth and measures aimed at tackling unemployment in some countries.

Labour shortages are said to be less severe in European countries than in 1979-80, with the exception of Sweden and Norway. The report says a "somewhat disquieting" feature is that European unemployment has remained relatively stable.

It says: "An increase in registered vacancies may reflect efforts by employment services to attract employer clients. But a less comforting explanation is that the unemployed seem not to be filling vacancies effectively."

The report argues that the persistence of long-term unemployment has led to confusion in the provision of programmes for the jobless. It says a new framework, concentrating on improving employability, is needed.

Such changes could include more flexible education systems to allow young people to work and study at the same time, an increase in retirement ages, and modifying working patterns to accommodate women who have children.

The report anticipates significant changes in the composition of the OECD labour force up to the year 2000. The proportion of young people and those over 64 is likely to decline relative to the "prime-age" labour force aged 25 to 54.

It says that a projected shift within this group towards those aged 45 to 54 means that retraining schemes, placement services and counselling may be needed.

An increase in the number of middle-aged, dual-career families combined with the fall in young people could mean a decline in the mobility of the labour force.

Details, Page 2

Clashes in Beirut raise fears of civil war

By Jim Muir in Beirut and Tony Walker in Damascus

SHELLING and firing broke out along the Green Line dividing East and West Beirut yesterday as Lebanon's parliament again failed to elect a new president, deepening the country's political crisis.

Fears of a possible resumption of full-scale civil war grew as a special election session of parliament was postponed until today and as Syria threatened action against Christian hardliners who have sought to prevent a Syrian-sponsored candidate replacing President Amin Gemayel.

Mr Gemayel's six-year term ends today and if parliament fails to obtain a quorum to elect a successor, Lebanon may be left without a president and with two governments for the first time in 13 years of civil strife and fragmentation. Such a prospect would deeply concern Western countries which have been calling for the retention of a unitary Lebanese state.

Yesterday's clashes between the Christian east and the Moslem west of the Lebanese capital were said to be the worst in two years, with shells falling close to the old parliament building on the Moslem side of the line. Tension was further increased by the killing by unidentified gunmen of three top officials of the pro-Syrian Shia Moslem Amal militia. The fighting later died down after rival militias agreed a ceasefire but it served as a clear warning of what might happen if parliament failed to agree today.

Syria, the main foreign power-broker in Lebanon with at

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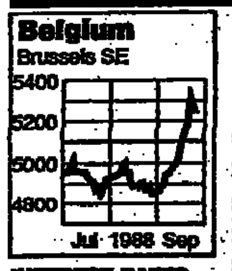
Weekend FT
Tomorrow: Jean-Paul Kauffmann on how he survived three years as a hostage in Beirut
Details of 'The FT 100th' Diversion, with remarkable prizes

MARKETS



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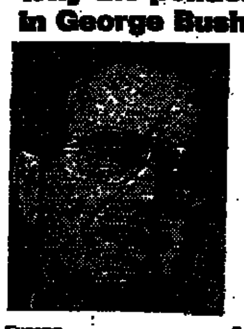
Why the political tide is running in George Bush's favour



The US Vice-President wants to keep the campaign focus on the past. He has told Americans that to vote for his opponent, Governor Michael Dukakis, would be to gamble on an unknown quantity. Page 16

EUROPEAN NEWS

EC attacks US trade 'time bomb'

By **William Dullforce** in Geneva

THE NEW US Trade Act was a time bomb which could blast apart the whole multilateral trading system, the European Community warned the council of the General Agreement of Tariffs and Trade yesterday.

In a toughly worded statement reflecting Brussel's fears about the potential for protectionist US action in the act, Tran Van Thinh, the EC's chief representative to Gatt, said its provisions could increase resort to unilateral trade action by the US.

They also reduced the scope for the administration in Washington to exercise its discretion.

He acknowledged that Mr Clayton Yeutter, the US Trade Representative, and the Reagan administration had fought hard to exclude protectionist measures.

Nevertheless, the law enacted last month contained so many protectionist provisions that the Community would have to monitor its implementation closely.

Tran singled out the new law's provisions on telecommunications and the criteria it lays down for US action on intellectual property rights.

He criticised the automatic triggering of new export enhancement programmes, which the act calls for if the US finds that the reform of world farm trade in Gatt is not progressing to its satisfaction.

In the agricultural talks under Gatt's Uruguay round, the US is pressing for the elimination of all exports subsidies on farm products, an aim which the EC has so far refused to entertain.

The EC would have no choice but to take immediate action to defend its rights under Gatt if they were affected by the act's provisions.

In rebuttal Mr Michael Samuels, the deputy US trade representative, said the idea that the Trade Act was protectionist was balderdash.

The worst trade protectionist proposals had been stripped from the bill, and the US was firmly committed to a multilateral trading system.

It preferred to settle all differences over trade in Gatt. This was not possible at present but changes could be introduced in the Uruguay round which would make it possible.

Italians concerned over influence in EC

By **John Wyles** in Rome

GROWING concern that Italy's international influence is not increasing with her economic weight is sparking the first debate within and between the political parties over the country's choice of nominees to sit on the new European Commission, which takes office next January.

The issue surfaced with some vivacity at a three-day conference behind closed doors in Venice this week, organised by the Italian section of the Aspen Institute.

Mr Eugenio Scalferi, the highly influential editor of Italy's best selling La Repubblica newspaper, gave it a first airing at the opening session on Monday, to be followed on Wednesday by Mr Giorgio La Malfa, the secretary of the Republican Party.

Mr La Malfa revealed that he had written to Mr Ciriaco De Mita, the Prime Minister, stressing the importance of selecting commissioners of the highest quality and requesting a discussion between the five coalition parties on possible candidates.

The move reflects partly a conviction that the Community's 1992 open market deadline requires the strongest possible Italian representation in Brussels and partly some dissatisfaction with the impact of past and present Italian commissioners.

Little criticism is directed at the current senior Italian Commissioner, Mr Lorenzo Natali, the Christian Democrat responsible for the Community's relations with the Third World, but much more at the Socialist nominee, Mr Carlo Ripa de Meana, who handles cultural affairs.

It is understood that until now, Mr Bettino Craxi, the Socialist leader, intended to reconfirm Mr Ripa de Meana for a second four-year term and it is by no means clear that he will be prompted to change his mind.

If he did so, he might turn to Mr Renato Ruggiero, former director general of the Foreign Ministry and Italian permanent representative to the EC, who is now Minister for Foreign Trade on a Socialist nomination.

The Aspen conference, called Italy Today and Tomorrow – a Country for '93, revealed a high degree of confidence among business leaders and politicians about the ability of the Italian private sector to face up to the challenge but considerable doubts about whether the country's political class could deliver the necessary reform of public finances, administration and services.

Mr Cesare Romiti, the managing director of the Fiat Group, said that while Italian public spending as a percentage of domestic product might be broadly in line with the rest of Europe, the resulting services were not comparable in quality, efficiency or reliability. In characteristic style he lamented the "stupid and dirty" pursuit of private interests by some politicians.

While Mr La Malfa thought that the Government's plan to stabilise public debt at 106 per cent of Gross Domestic Product by 1992 lacked sufficient urgency, Mr Gianni De Michelis, the Socialist Deputy Prime Minister, insisted that policy was heading in the right direction and must be encouraged.

ANTI-MAFIA MAGISTRATES RECONCILED

MR Giovanni Falcone, Sicily's celebrated anti-Mafia magistrate, has withdrawn his request for a transfer out of Palermo following the support expressed for him last week by the Italian magistracy's self-governing body, the Consiglio Superiore della Magistratura, writes John Wyles.

His decision appears to end the crisis caused by Mr Falcone's highly damaging public row over working methods with Mr Antonio Meli, Palermo's chief inquiring magistrate. The CSM last week defended Mr Meli's authority over Mr Falcone and his specialised pool of anti-Mafia magistrates while asserting that the pool must be preserved and strengthened.

Mr Meli had allegedly sought to end the pool's monopoly of Mafia investigations and to require its members to take on non-related work. He has expressed his pleasure at Mr Falcone's decision and both men, it seems, are now pledged to work together.

Italian cabinet adopts budget targets

By **John Wyles** in Rome

THE ITALIAN Cabinet last night adopted 1989 budget targets which will cut L30,000bn ($21.5bn) off the underlying public sector deficit through increased revenues and spending cuts.

Many of the measures aimed at delivering a targetted L117,250bn deficit next year – broadly in line with this year's shortfall – have yet to be agreed in detail by the Cabinet.

However, Mr Giuliano Amato, the Treasury Minister, said last night that he expected the accompanying measures to be adopted next week. These will range from a new tax regime for the self-employed to include health and welfare economies, reduced transport subsidies and increased value added taxes.

The Minister said that he considered the deficit "satisfactory," although it is above the L115,000bn target set by the Government's medium-term plan for stabilising public debt as a proportion of gross domestic product by 1992.

Because of an upward revision in official growth forecasts, the higher cash deficit will be the same percentage of Gross Domestic Product – 10 per cent – as was the original target.

The budget manoeuvre is based on raising Treasury revenues by L14,800bn, after allowing for a L6,500 to L7,000bn reduction in direct taxes, and on spending economies totalling L15,400bn.

A major contribution on the revenue side is likely to come from new health charges while a slowdown in the rising trend of expenditure has been achieved by limiting the growth of spending by individual ministries to 14 per cent of their 1987 outlays.

Yesterday's decisions were taken against the reassuring background of revised official forecasts by the Budget Ministry of a growth rate this year of 3.6 per cent against an earlier estimate of 2.8 per cent.

Expectations for next year are based on a 3 per cent growth rate, an inflation rate of 4 per cent, a further 1 per cent rise in employment and a current account in broad balance.

Exports are forecast to rise by 4.5 per cent and the growth in domestic demand to fall from 4.2 per cent to 3.5 per cent.

French left face test in cantonal elections

By **Ian Davidson** in Paris

THE FRENCH Socialist government of Mr Michel Rocard faces its first test of voter approval since the general elections in June, with the opening round of the cantonal elections which take place on Sunday.

Most forecasts predict that the right-wing parties will do better than the Socialists, partly in automatic reaction to the general election result, but mainly because the rural areas are over-represented by the cantonal boundaries.

The right-wing parties hold a majority of seats in 68 departments, whereas the left control 27. That balance is unlikely to be tilted substantially, though the left hope to recapture two departments from the right.

One key indicator will be the showing of the extreme right-wing National Front. Mr Jean-Marie Le Pen, the party leader, caused a nationwide shock when he won more than 14 per cent in the first round of the presidential election. But the score fell to under 10 per cent in the first round of the general election and the party lost all but one of its seats in parliament.

The chances of the National Front will depend critically on whether it can secure de facto alliances with traditional right-wing candidates. After flirting with the National Front during the Presidential and general elections, the Gaullist party recently announced that it was ruling out any deals. But it remains to be seen whether its local party representatives stick to that ruling.

The main anxiety of the opposition parties is that their built-in advantage will be undermined by a low turnout. In the last two cantonal elections, around a third of the voters stayed away from the polls, and this time the abstention rate could be even higher as a result of voting fatigue.

Moreover, a recent public opinion survey suggests that nearly 60 per cent of the electorate will make its decision on polling day on the basis of personalities and barely a third on the basis of political affiliation. Only 30 per cent wish the elections to convey disapproval of the Government, whereas 40 per cent want to express support.

Although the cantonal elections (which choose the members of the Conseil General in each department) attract less public attention than the municipal elections, they acquired greater practical political importance as a result of the decentralisation introduced by the Socialists in 1982.

Since then they have taken over many of the local decision-making powers previously exercised by the departmental Prefets, with responsibility for roads, housing and education. As a result, the political interest of the elections revolves around the balance of power within each Conseil General and the election of its president.

Gonzalez: "lively argument"

Thatcher in appeal on EFA future

By **Peter Bruce** in Madrid

MRS Margaret Thatcher, the British Prime Minister, appealed to Spain last night to confirm its participation in the four-nation consortium planning to build the £22bn European Fighter Aircraft.

Spain has delayed joining the EFA's development phase, citing a lack of funds. There are fears among the other partners that it may try to reduce its planned participation from 13 to 9 per cent.

Britain and West Germany each have 33 per cent of the project and the Italians 21 per cent. Paris has tried hard to persuade Madrid to join its rival Rafale project but Spain's doubts about the EFA are not thought to imply that it is about to succumb to France's blandishments. A reduction of the Spanish stake in the EFA would be difficult for the other partners to absorb financially.

Mrs Thatcher said full Spanish participation "would be a tremendous step in our industrial co-operation as well as making a vital contribution to our common defence in Europe."

Earlier, she is reported to have had a "lively argument" with Mr Gonzalez over "capital movements stemming from differing views on capital taxation," according to a British official.

The 12 EC nations agreed to liberalise capital movements in a landmark decision last June – with the rider, imposed at French insistence, that the Commission must come up with ideas for reducing the risk of "distortion, tax avoidance and evasion" arising from differences in national tax regimes; and that member states must act on these ideas by mid-1989.

Britain, in line with its opposition to the harmonisation of indirect taxes, opposes the idea of a pan-European regime for tax on capital.

In a largely conciliatory speech, Mrs Thatcher went out of her way to congratulate Mr Gonzalez for bringing Spain into Nato in the 1986 referendum here and she said she hoped Madrid's application to join the Western European Union (WEU), the seven-nation European defence grouping, would be successful.

The leaders apparently did not discuss the once thorny issue of Gibraltar at all when they met in the morning and Mrs Thatcher last night said only that it was not realistic to expect an early resolution of the differences.

Apologising for intermittent bad behaviour of British tourists on holiday on Spain's south coast she said "that small minority who do behave badly are a scource of shame to all decent British people, and we fully support you in dealing very firmly with them".

Kostroma goes without meat as Soviet towns suffer

By **Quentin Peel** in Moscow

THERE is no meat rationing in the Soviet provincial town of Kostroma. There simply is no meat to buy.

Nor is there much milk or sour milk products, and supplies of the local cheese are reserved for invalids and war veterans only.

Sugar is on ration and there is no more than a poor selection of fruit and vegetables for the time of year. In winter and spring you cannot get any at all. If you want to buy meat or sausage, then the answer is to go to Moscow, 300 km away, according to Mr Valery Arbuzov, chairman of the regional agro-industrial complex.

On the other hand, butter, chicken and geese are relatively freely available in the shops of the town on the Volga river, while its fish shop actually attracts purchasers from the neighbouring town of Yaroslavl to find carp they can't buy there.

The sorry story of a Soviet provincial town and its food supplies was told at a conference of the All-Union Marketing Research Institute, and reported this week by the newspaper Moscow News. It was presented, admittedly, as one of the worst examples in a survey of food shortages in 140 different towns.

It is not just shortages which bedevil the poor residents of Kostroma, either. If the report is to be believed, their roads are so bad that milk cannot be delivered from outlying areas to the cheese factory: they fly it in by helicopter instead.

"There is no money and labour for road construction," the conference was told, "but huge sums are spent on the milk-run helicopters".

Yet Kostroma is supposed to be an agricultural region, and therefore sends one-third of its meat produce to the rest of the Russian republic. The result is that the inhabitants of Kostroma eat 20 kilos less meat per head per year than their neighbours.

The example of Kostroma revealed one key point: that the greatest shortages of food products are in the small towns which account for 75 per cent of the Soviet Union's urban population. The least shortage is in the biggest towns and cities.

The market researchers concluded that much more leeway should be given to local initiative, and more food imported to satisfy genuine demand.

Uncertainty deepens over Rafale project

By **Ian Davidson** in Paris

UNCERTAINTIES over France's planned high technology Rafale combat aircraft programme, which were aired last week by Mr Michel Rocard, the Prime Minister, to devastating effect, have again hit the headlines with the publication of the conclusions of a parliamentary report on the controversial project.

Last week Mr Rocard described the Rafale programme as a "disaster case", and conceded that he was uncertain whether it could be saved or not. The main threat to the project, which France is developing on its own, is its cost, projected to total FFr120bn (£11.3bn).

The Prime Minister's ambiguities over the prospects for Rafale, which prompted protests from the trade union movement, were precipitated by the publication in the news magazine L'Express of a damning article headlined "An Abyss of Billions [of francs]", which claimed to be based on the parliamentary report, and which asserted that Rafale was far too expensive.

Since then the Prime Minister's doubts have been disowned both by the Presidency and by his ministerial colleagues. A top Elysée official yesterday said: "The decision to produce the Rafale has been taken."

Spelling out next year's defence budget, Mr Jean-Pierre Chevenement, the Defence Minister, declared that the programme was "essential for our defence", and that its financing would be continued in line with previous commitments. The Rafale was launched, with initial development contracts, by the previous conservative government before the Presidential elections.

A new twist in the saga has tended to confirm the reasons for Mr Rocard's criticisms of the project, however, even if the aircraft programme has so far emerged unscathed. The bulk of the parliamentary report, by a former Gaullist deputy, has now been released, and it bears out the overall cost estimate published by L'Express last week.

Although Rafale would not cost more than the existing Mirage 2000 programme (FFr7.4bn a year, or a third of the air force's equipment budget), the report claims that France can only afford such a project on two conditions: that the industrial companies involved in the project (Dassault, SNECMA, Thomson, Electronique Serge Dassault) should bear a quarter of the FFr40bn development cost; and that the burden of the project should also be shared with foreign partners. Both these conditions appear to be in considerable doubt.

Bonn to press ahead with arms competition plan

By **David Marsh** in Bonn

THE West German Defence Ministry is pressing ahead with proposals to increase international competition in European armaments procurement procedures.

This is partly a consequence of the ministry's wish not to become over-dependent on a single supplier after the planned link-up between Daimler-Benz, the motor group, and Messerschmitt Bölkow Blohm, the aerospace company.

If the deal goes ahead, the resulting concern would dominate most areas of the West German arms industry, taking about 36 per cent of current procurement spending and well over half of future development and procurement expenditure intended by the ministry.

Plans for widening co-operation in European arms procurement were discussed between Mr Rupert Scholz, the West German Defence Minister, and his opposite numbers from other European countries at an informal meeting earlier this month in Avignon, France.

Defence ministers from the 13 European members of Nato which belong to the Independent European Programme Group are expected at their next meeting in Luxembourg on November 9 to endorse proposals to open up the fragmented and secretive European market for armaments.

The plan for Daimler-Benz to take a 30 per cent stake in MBB, which would form one of *the world's largest and most* diversified engineering, aerospace and defence conglomerates, has not been given the formal go-ahead.

It is still the subject of tough discussions between Daimler-Benz and the Bonn government, focusing not only on the financial risks of MBB's participation in the Airbus airliner project but also on other corporate and management details.

Court rules against Paris on N-plant

By **Tim Dickson** in Brussels

THE French Government was yesterday found guilty under European Community law of failing to provide adequate advance notification of its plans to bring on stream the nuclear power plant at Cattenom, near the Luxembourg border.

The ruling from the European Court of Justice not only bolsters the European Commission's authority in matters of nuclear safety but breathes life into the moribund treaty establishing the European Atomic Energy Community (Euratom).

Yesterday's case hinged on Article 37 of the Euratom treaty, which requires member states to supply the Commission with "general data" about plans involving radioactive emissions, but which is somewhat vague on timing. The allegation was that the French Government had violated this article by giving its own authorisation for the plant in February 1986 but only providing the Brussels authorities with the relevant information in April.

This meant that the Commission did not have sufficient time to deliver its own legal (but non-binding) opinion on the French plans.

The Court ruled that Article 37 be interpreted in such a way that the information should be supplied to the Commission before the member state's own "competent authority" had authorised the emission. The Court also emphasised the "extreme importance" of the Brussels opinion.

The next move will be up to a French national court in Strasbourg, which heard the original case brought by local Luxembourg, French and West German groups and which referred it to the European Court.

Setback for Strasbourg

By **William Dawkins** in Brussels

THE French Government's hard-defended right to play host to the European Parliament's plenary sessions in Strasbourg has received a serious legal blow.

The European Court of Justice yesterday ruled that the Assembly's 518 members should be allowed to hold at least some full meetings in Brussels, though they should be still obliged to hold their regular monthly sessions in the northern French city.

It is the first crack to emerge in one of the European Community's most striking eccentricities, a parliament with committees based in Brussels; technical services more than two hours' drive down the motorway in Luxembourg; and a full monthly meeting two hours further on in Strasbourg.

Euro-MPs have long bewailed being obliged to spend so much time on the road. They say it harms efficiency and costs at least £25m per year, rising to £50m if extra staff costs are included.

They voted in 1985 to order a new Brussels headquarters for occasional extra plenary sessions to cope with the assembly's burgeoning workload. The French Government immediately launched a legal action.

THE OECD REPORT ON EMPLOYMENT PROSPECTS

Job vacancies rise due to skill mismatches

By **John Gapper**

FALLS in unemployment in several European countries in 1987 were accompanied by significant increases in levels of unfilled vacancies and the re-emergence of actual labour shortages due to skills mismatches.

This development is said to have prompted renewed interest in many countries in education and training provision for the unemployed. There has been a "rediscovery" of human resources as a significant determinant of economic performance. The Organisation for Economic Co-operation and Development says that employment growth in the past five years has been in line with the best historical experience, but a relative stability in unemployment continued in 1987.

Total employment in the OECD area is expected to grow by about 1 per cent on average between 1987 and 1989, but growth in central and western Europe could be as low as ½ per cent, compared with 2 per cent in North America.

Employment in the area increased by 1.6 per cent in 1987, a similar increase to the previous year. Europe's 1 per cent employment growth was the best since 1973, and significantly faster than the long-term trend of 0.3 per cent.

Job growth in southern Europe was particularly strong. In Spain, the continuous decline from 1975 to 1985 was reversed and a growth of 2.3 per cent in 1986 was followed by a growth of 3.2 per cent in 1987.

The OECD's 1988 Employment Outlook says unemployment is lower than seemed likely a year ago. However, although there may be a further fall in 1989 in North America, no further improvement is expected in Japan and Europe.

The report says that increased emphasis on training has taken the form in several countries of a gradual modernisation of education systems, and the switching of resources from temporary job schemes to training for long-term unemployed.

The concentration of scarce resources on young people is one reason why there has been a recent fall in youth unemployment relative to the total. Other factors are the fall in the number of young people and lower youth wage rates.

Although the participation of women in the workforce has increased substantially and will grow further, the report says their contribution is not fully developed. Policy changes such as increases in child-care provision could help this.

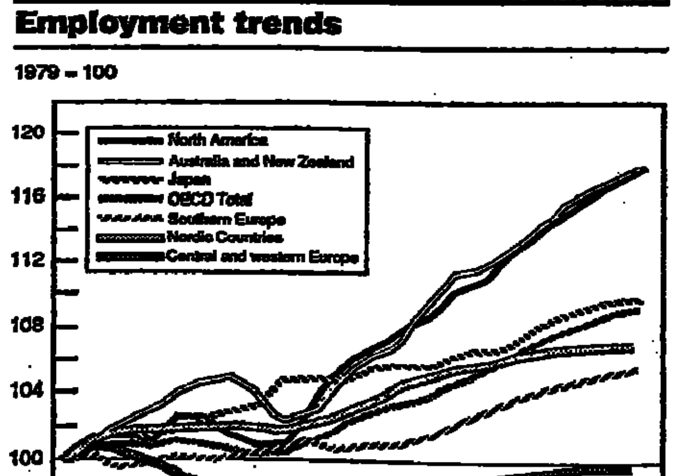
Unemployment is said to persist as a serious labour market problem in many OECD countries. Countries including Belgium, France, the Netherlands and the UK have recently undertaken big initiatives in this area.

The teenage share of male employment between 1973 and 1987 declined everywhere except Norway and the UK, one factor behind this being the fall in the teenage population of most countries. The participation of adult women increased.

The unemployment rate of youths has declined nearly everywhere in recent years, the only exceptions being Italy and Japan. The overall youth share of unemployment fell by 5 per cent between 1982 and 1987.

The total labour force is projected to rise by between 0.1 per cent to just over 1 per cent by the year 2000 in 10 countries. The lowest growth is expected in Finland, and the highest in the US, Canada, and the Netherlands.

Employment trends



Growing role for working women

By **John Gapper**

A RAPID growth in women's participation in labour forces in all OECD countries except those in Southern Europe over the past 20 years reached the stage in 1987 where women in the Nordic countries participate almost as much as men.

Women aged 25 to 44 have registered substantial increases in their share of total female employment, and the pattern is expected to continue, with some declines among younger and older cohorts of women in several countries.

In seven of ten countries – the exceptions being the United Kingdom, Japan and the Netherlands – young women are expected to participate in the labour market without the traditional interruption due to child bearing.

An analysis of women's employment in the report says the growth of participation over the past 20 years is a relatively recent phenomenon. There was no clear upward trend until the second half of this century in five countries.

The analysis finds that women still do very different jobs from men, both according to occupations and their employment status. Women tend to represent a high proportion of clerical and service employees.

It says that projections of increases in women's participation rates depends on the assumptions that families will be able to resolve the "double burden" of child rearing and paid employment, and jobs will become available.

The proportion of part-time workers who are women is at least 60 per cent in most countries, rising to 90 per cent in some. However, by far the majority of women work full-time – in many European countries around 75 per cent.

The earnings of women relative to men increased substantially in the post-war period. Among the sharpest changes was an 18 per cent increase in female relative earnings in Denmark between 1970 and 1977.

A variety of governments have pursued policies for the improvement of the position of women in the labour market,

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AMERICAN NEWS

Bush's second Boston visit jolts Dukakis

By Stewart Fleming, US Editor, in Washington

MR JAMES BAKER and his team at the head of Vice-President George Bush's campaign for the US presidency pulled off another coup yesterday. They have left the opposition camp fuming and highlighted an issue which Mr Bush may turn to his advantage on Sunday night when he has his first television debate with Mr Michael Dukakis, the Democratic candidate.

Mr Bush's last visit to Boston, his opponent's home city, left the Dukakis election campaign apoplectic. He marched in last month to denounce the pollution in Boston Harbour and Governor Dukakis's record on the environment – an issue the Democrats thought they had made their own this year.

Yesterday, the vice-president flew in to accept the endorsement of the Boston Police Patrolmen's Association, a piece of daylight robbery designed to suggest to Bostonians and to Americans at large that even the Massachusetts governor's police force does not trust him to keep them safe in their homes at night.

The Dukakis response was to say that the group of 1,600 policemen had always endorsed Republicans, including President Ronald Reagan twice. Behind the scenes, however, the governor's men and his Bostonian ally, Mayor Raymond Flynn, had been trying for days to prevent Mr Bush dealing them this shrewdly timed blow.

Polls suggest that Mr Bush's attacks on Mr Dukakis for allowing criminals out on leave, and the implication that he is soft on crime, have been hitting home. Last week the governor responded by staging an anti-drug speech before a police audience in gang-ridden Los Angeles to try to counter the charges.

Mr Dukakis will have ammunition of his own for the debate. Reports that the Administration is underestimating the cost of baling out the savings and loan industry, in order to avoid pre-election embarrassment, may give him an opening he can exploit.

Shevardnadze and Shultz in chemical arms talks

By Lionel Barber in Washington

MR EDUARD Shevardnadze, Soviet Foreign Minister, carrying what he said were new proposals on chemical weapons and strategic weapons, opened two days of talks yesterday with Mr George Shultz, US Secretary of State.

The talks were expected to produce only modest progress because of the imminence of the US presidential election in November.

The modest expectations were contrasted with previous meetings of his with Mr Shultz, when both men wrestled to bridge last-minute differences on the INF treaty to eliminate medium-range nuclear missiles. It was ratified this year.

A senior State Department official, Ms Rozanne Ridgeway, ruled out this week completion of a proposed accord to halve the superpowers' strategic nuclear weapons arsenals before President Ronald Reagan leaves office next January.

The absence from the curent meeting of Marshal Sergei Akhromeyev, chief of the Soviet general staff, who has played an important role in previous superpower summits, further indicated that central disputes over the US Strategic Defence Initiative and START are unlikely to resolved.

Lt-Gen Colin Powell, White House National Security Adviser, said the Administration would be willing to consider any new Soviet chemical arms proposal, but the US would not favour a bilateral pact to ban superpower production of the chemical weapons. He said proliferation was the problem. The US recently accused Iraq of using poison gas against Kurds.

Iraq hints tough line on gas war sanctions

By Nancy Dunne in Washington and Victor Mallet in London

IRAQ hinted yesterday that it would retaliate against any international sanctions over its reported use of chemical weapons against Kurdish rebels, while the US Congress moved towards using such sanctions to prevent chemical warfare.

Asked about Iraq's response to a range of sanctions being considered by Congress, Mr Saadoun Hammadi, Iraqi Minister of State for Foreign Affairs, said in London his government would take "proper measures" in return. "We will not turn to them the other cheek," he said.

Iraq has resisted international demands for a UN inquiry into allegations that its armed forces have used poison gas against the country's Kurdish minority. Western diplomats believe the Iraqi government might retaliate against individual countries that impose sanctions by discriminating against them in commercial contracts and debt repayment negotiations.

In Washington, the House Foreign Affairs Committee laboured over a bill which would immediately halt all military exports to Iraq and forbid the sale of items with a military application. The US president would have unspecified time to negotiate with Iraq over weapons use.

If he could not certify that Iraq was giving up the practice, then all credits and credit guarantees would be denied, Iraqi oil imports would be banned and diplomatic relations would be downgraded.

The House bill is a milder version of one already passed by the Senate. In the view of a State Department spokesman, the mere threat of new sanctions would encourage negotiations.

With the State Department urging caution, opposition to the stronger Senate sanctions has been rising in the House. The farm lobby is worried about what has become a $1bn annual market for US grains and rice, and there are fears that sanctions would cause Iraq to default on the nearly $2bn in credits already extended by the US.

Fear plays a vital role in Chile vote

Robert Graham on a campaign to win undecided voters in the presidential plebiscite

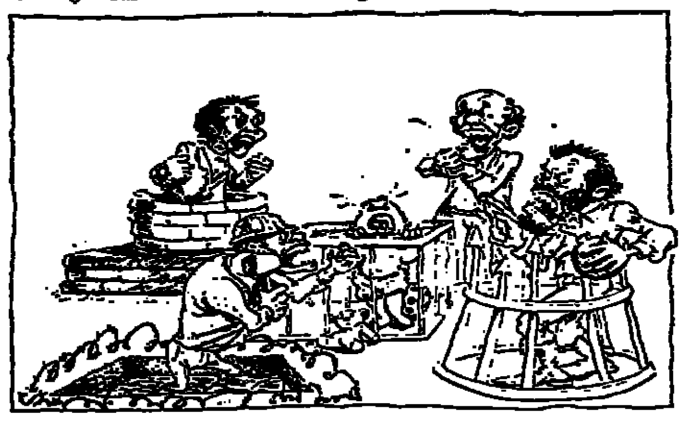
IN the wide pedestrian thoroughfares of downtown Santiago, the street-sellers are touting an unfamiliar kind of merchandise. For the first time in 15 years Chileans can publicly buy badges, T-shirts and even lighters with a political slogan against the military government of General Augusto Pinochet.

This is just one small symptom of how the regime has felt obliged to relax its grip in advance of the October 5 presidential plebiscite, in which the 73-year-old general is the single candidate. The fact that people are buying and wearing these badges, most of which have a simple 'No' sign, is symptomatic of how in recent weeks ordinary Chileans have begun to lose their fear of expressing themselves in public.

Both the Government and the opposition are aware that fear in its various forms will play a vital role in the outcome of the plebiscite. "Pinochet is playing on the fear of the unknown to get the undecided vote," says Mr Ignacio Walker, one of the officials running the 'No' campaign. "We also have to convince people that the vote will be secret, otherwise they could be afraid of retribution for voting against Pinochet," he adds.

The polls have been showing that approximately one third of the 7.3m who registered to vote are still undecided. With a voter registration of over 92 per cent, more voters than the opinion polls credit have probably made up their minds over whether or not to give Gen Pinochet a further eight years in office. Nevertheless, Pinochet supporters and the 16-party coalition organising the vote against him accept that the undecided hold the key.

The existence of this block of undecided voters explains why both sides can talk so confidently of winning. Both believe they can capture the floating vote. "We reckon we will get above 54 per cent and below 60 per cent of the vote," says Mr Miguel Schweitzer, a former Foreign Minister associated with the pro-Pinochet campaign.



Chilean government propaganda warning of the disharmony which a 'No' vote could sow in the family and in society

Gen Pinochet has said on more than one occasion that the floating vote will go to the perceived winner, and his campaign slogan plays up to this: "Chile, a winning country." The opposition, with more reputable polling methods, believes it will win 56 per cent on a conservative estimate of the floating vote.

Neither side disputes that populous Santiago is predominantly anti-regime, that rural areas are pro-Pinochet and that the female vote is predisposed towards the general.

Gen Pinochet is deploying the full apparatus of state to ensure he wins, from control of the main media down to using regime-appointed mayors. Nevertheless, he draws small crowds and the regime is being outmanouevred in the propaganda war.

Even his supporters privately acknowledge the success of the opposition's slickly produced 15-minute daily television slot. The theme skilfully destroys the pyschological resistance to voting 'No' and stresses the need to forget hatred and divisions in society. The spots are fast moving, breezy, modern and politically astute.

The Pinochet propaganda on the other hand suffers from being conducted as a psychological warfare exercise by military personnel rather than a political campaign. The television spots begin with footage of riots and bomb damage and then the screen is gradually obliterated by dripping red blood before switching to the other Chile: a joyful chorus chanting 'Yes.'

Such propaganda hopes to equate an opposition win with the political chaos and economic instability of the late President Salvador Allende's experiment in socialism. There is no message of national reconciliation. Instead the last of those exiled since the 1973 military coup (permitted to return this month) tend to be ridiculed in the regime-controlled media.

Gen Pinochet's image minders have put him in a suit, in which he looks awkward and lacks the mystique of authority. Furthermore he delivers his speeches like military communiqués, undermining the credibility of his new-found talk of democracy. When he speaks off-the-cuff, his comments tend to be garrulous, rambling and vindictive.

The Pinochet campaign has been so obsessed with discrediting the opposition that it has so far failed to capitalise on the regime's principal asset: five consecutive years of sustained growth with low inflation, and a balanced budget. By normal electoral practices, the Government has scarcely conceded a vote-catching hand-out. Even a cut in value added tax from 20 per cent to 16 per cent was conservative and pre-planned.

"Economic policy has not been altered to take account of the election – that would be irresponsible," commented a senior government official.

However, some well-timed hand-outs might have convinced the large number of people who have yet to benefit from economic growth that salvation is round the corner – as indeed the Government is claiming. Instead, the tough daily grind for significant sections of the middle and working classes is liable to go against Gen Pinochet.

Given that political activity has been repressed for so long, the political parties have managed to retain a remarkable hold over their public meetings.

Under pressure from the legal opposition, the Manuel Rodriguez Front, the underground leftist guerrilla group, has announced a suspension of its activities for the duration of the plebiscite. The powerful Communist Party, which has long refused to vote in the plebiscite, is backing the 'No' campaign from a discreet distance.

Leading figures organising the 'No' campaign are convinced that if Gen Pinochet detects the mood is swinging against him, he is capable of orchestrating a campaign of violence. This would make the point to the undecided that it is either him or chaos.

The running is still open, but in a country which has so ardently embraced the free market model the street sellers in Santiago may have the indicator.They are selling more 'No' badges.

Peru begins to thaw its brief price freeze

By Veronica Baruffati in Lima

THE PERUVIAN government, under growing domestic pressure, has started to retreat from the economic measures it announced this month.

Mr Abel Salinas, Finance Minister, announced late on Wednesday corrections to the anti-inflationary plan disclosed on September 6. These included a thaw in the price freeze.

The original plan had demanded that prices for all products be set within 10 days and then frozen for 120 days.

Prices will now be allowed to rise to what is called a realistic level, except for those of basic commodities, whose prices will remain subsidised and frozen for 120 days.

Mr Salinas, explaining that this was the result of a first evaluation of the anti-inflatonary measures, promised there would be no alterations in petrol prices, exchange and interest rates, nor in the minimum legal salary established on September 6.

Mutiny spreads among Haitian soldiers

HAITIAN soldiers who toppled President Henri Namphy last weekend have mutinied against more commanders, and civilians are rallying to join the uprising. AP reports from Port-au-Prince.

Coup leaders who put Lt-Gen Prosper Avril in power have demanded that he institute democratic reforms.

Mutineers were rounding up agents of the Bureau of Criminal Investigations and leaving them at army headquarters in Port-au-Prince before cheering crowds, local radios reported.

Argentina may let private funds into public sector

By Gary Mead in Buenos Aires

THE Argentine Government has announced its intention to introduce a bill to allow private capital into state-owned enterprises.

Mr Horacio Losoviz, head of the Public Works Board, said the draft law will be presented to Congress next week.

Motives for a change have been highlighted recently by negotiations to sell 40 per cent of two state-owned enterprises to foreign companies. Scandinavian Airlines Systems (SAS) recently agreed to buy part of Aerolineas Argentinas, and the Spanish telephone company Telefónica proposes to take a similar stake in Entel, the telecommunications body.

Under current Argentine law, both deals – and similar ones planned for railways, shipping and other entities – require congressional approval.

Such approval has not ben given yet for the SAS purchase because the Peronist opposition majority in the Senate adamantly opposes it, being also likely to fight the new bill.

OVERSEAS NEWS

Australian asbestos group loses insurance cover

By **Chris Sherwell** in Sydney

THE unexpected withdrawal of its insurance cover has suddenly rendered CSR, one of Australia's largest industrial groups, potentially liable for heavy damages payments to sufferers of asbestos-related diseases.

The group said yesterday it was "surprised and dismayed" at the move, announced on Wednesday night by the Western Australian State Government Insurance Commission (SGIC).

Mr Frank Michell, the SGIC's managing director, said in a press release that the policy providing cover for Midalco, the CSR subsidiary which operated the now-closed Wittenoom asbestos mine in Western Australia, was "considered to be inoperative".

There are no authoritative estimates of the liability the SGIC or CSR might face over Wittenoom, which has been dubbed "Australia's Bhopal". But it is thought to run into tens of millions of Australian dollars.

The SGIC's announcement followed a decision by the Supreme Court of Victoria earlier this week to reject Midalco's appeal against the award of exemplary damages to a former Wittenoom worker who is suffering from the incurable asbestos-related lung cancer called mesothelioma.

In May, a jury awarded 52-year-old Mr Klaus Rabenalt *compensatory damages of* A$426,000 (£200,000) and exemplary damages of A$250,000 against Midalco, in what was believed to be Australia's first instance of a jury awarding exemplary damages against an employer for an industrial accident.

At the time, CSR pointed out that it was not affected by the award, saying the finding was against Midalco and Midalco was insured. Midalco and the SGIC decided to pay the A$426,000 but to appeal against the punitive damages.

But in this week's appeal court decision upholding the damages, the judges said a strong case was made supporting a finding of recklessness, and of "continuing, conscious and contumelious disregard" by Midalco for the employee's right to be free from risk of injury or disease.

According to Mr Michell, the decision meant Midalco had been aware of the dangers associated with asbestos dust and had failed to take reasonable precautions. It had also "failed fully to disclose the dangerous nature of the Wittenoom mine operations to the Insurance Commission," Mr Michell said.

CSR was also said to have been warned back in June of the probable withdrawal of insurance cover if the appeal was lost. But yesterday the company said Mr Michell, as recently as August 25, had confirmed the SGIC's 1983 agreement with Midalco on the handling of Wittenoom asbestos claims, and declared its belief that the SGIC was in breach of that agreement and of its obligations under the insurance policy.

CSR went on to threaten court action if the SGIC pursued its course of action, and warned that this would mean delays in the resolution of claims by people employed at Wittenoom after January 1959, the date from which Midalco had cover from the SGIC.

The Rabenalt issue is one of two big legal cases involving former Wittenoom workers. In the other, the Western Australian Supreme Court awarded damages of more than A$370,000 to two men who worked at the mine and subsequently contracted mesothelioma.

CSR said then that more than three-quarters of the workers' compensation claims with the SGIC involved the less serious dust-related disease asbestosis. For this there has not yet been a successful court claim against either CSR or Midalco.

Delhi backs down on press curb legislation

By **David Housego** in New Delhi

THE INDIAN Government yesterday took the unprecedented step of abandoning controversial legislation that would have restricted investigative reporting by newspapers into corruption scandals.

The move was immediately welcomed by journalists and publishers associations and would seem to put an end to a dispute that has dominated politics over the last three weeks. Mr C.R. Irani, managing editor of The Statesman and the newspaper industry's spokesman over the issue, praised the courage of Mr Rajiv Gandhi, the Prime Minister, in dropping the legislation, and said that "now the decks have been cleared" the press was prepared for consultations.

The complete withdrawal of the Defamation Bill follows an already substantial climb down by Mr Gandhi a fortnight ago when he announced that the Government would delay presenting it to the Upper House of the Indian parliament. But he announced at the time that he was still committed to the bill – while offering consultations with journalists on how it might be revised.

The Prime Minister's concession failed to stem the outcry among journalists and newspaper publishers' associations which refused to discuss a tightening of the libel laws until the Government withdrew the bill.

In recent days journalists have walked out of ministerial press conferences in protest at the bill. They have also taken to wearing black badges – a symbol that the Prime Minister asked questions about about when he toured the Punjab this week.

Mr Gandhi's unexpected statement yesterday was unprecedented in withdrawing legislation that had already passed the Lower House. It acknowledged that the bill had aroused "misapprehensions and misgivings" and said that the Government was dropping it to allow a "wider and fuller national debate" on the issues of libel and defamation in the press.

The Prime Minister said the Government might create a new forum in which this debate could take place. But in setting no timetable and offering no specific suggestions, the Government's intention for the time being is to put the controversy on the back-burner.

The withdrawal came significantly on a day when the opposition demonstrated Mr Gandhi's political vulnerability by taking a further step to settling their internal differences. Three northern-based, largely Hindi-speaking opposition groups, announced that they would merge to form a new party under Mr V.P. Singh, Mr Gandhi's former Finance Minister and now the most popular of the opposition leaders.

Chinese still out in the cold after amnesty

John Murray Brown on a milestone in the history of Indonesia's ethnic minority

AN IMPORTANT milestone in Indonesia's often fraught relations with its ethnic Chinese minority has passed with the end of a year-long amnesty for several thousand stateless Chinese, left stranded when Jakarta broke off relations with the People's Republic more than 20 years ago.

The amnesty marks the formal close of a programme to naturalise all the country's 5m Chinese, first launched by President Suharto in 1980 in a bid to finally resolve the legal status of this small but economically powerful ethnic group.

A government census of 1966 estimated the number of so-called alien chinese – those who still have not registered as Indonesian citizens and carry Chinese or Taiwanese papers, or in some cases, no papers at all – at 250,000. However officials now say only a few thousand remain.

Mr Ipmail Saleh, Justice Minister, warned last month: "As illegal immigrants they can't be allowed to roam free." He threatened arrest and possible confinement to an outer island detention centre for those who failed to register with the authorities.

Indonesia and China agreed to waive dual nationality rights in 1960. At the time most chose Indonesian citizenship, but when relations were frozen in 1967, those who opted to return to China were left stranded without papers.

Indonesia is the largest country in the world not to have formal relations with China.

Peking is accused of supporting the failed communist coup in 1965 which allowed General Suharto to seize power. Within the Indonesian military, there remains the lingering suspicion that the country's Chinese may try to subvert President Suharto's New Order regime.

Earlier this year, intelligence chiefs claimed that Peking was continuing to give sanctuary to a small band of elderly Indonesian communists. Officials also mention the $83m owed by Jakarta to China – the only item outstanding after Indonesia rescheduled the massive $2bn foreign debt inherited from President Sukarno, the country's first leader.

For all that, there is considerably more flexibility in Indonesia's position today than for many years. This has done much to fuel rumours – all vehemently denied - that President Suharto is about to normalise relations with Peking.

The visit of a Chinese acrobatic troupe to Jakarta this month tempted one local newspaper to ask whether this was the start of ping-pong diplomacy – a reference to the ice-breaking which previewed the renewal of ties between China and the US in the 1970s.

There has already been an improvement in trade ties after the signing of a protocol on direct trade in 1985. Many officials also point out that the need for formal political ties will be all the more pressing with the handover of Hong Kong in 1997, currently a key conduit for Indonesia's indirect trade.

Observers believe Indonesia's sinophobia has as much to do with its own ethnic Chinese problem. Many were killed in the popular anti-communist backlash that followed the 1965 coup. Today their schools are closed down. Chinese script is banned from public display. A special body, the Chinese Problems Co-ordinating Agency, has been set up to persuade Chinese to take Indonesian names and convert to Islam, the religion of 90 per cent of the country's 175m population.

Like commercially strong minorities everywhere, the Chinese are an easy scapegoat when, as at present, the economy is under strain. They are resented by the less hardworking locals, and have been the target for racial attack, particularly by hardline moslems. The Government claims there is no discrimination. The terms pribumi or native and non-pribumi are divisive, officials say, and should be stopped.

Even naturalised Chinese who change their names feel themselves outcast, branded by a special code on identity cards that all Indonesians carry. It is often hard for Chinese to enter universities or gain jobs in certain sectors

But even naturalised Chinese who change their names feel themselves outcast, branded as they are by a special code on identity cards that all Indonesians carry. It is *often hard for Chinese to enter* state universities. Jobs as teachers and civil servants are frequently blocked, as well as in sensitive areas like computers.

Last year President Suharto banned a harmless Chinese aerobic exercise called Tai Chi, popular even with some cabinet ministers. In recent months Jakarta authorities have been hounding nightclubs with names like Kiss Me, which often employ Chinese from Taiwan for their floor shows. There are even moves to demolish the former Chinese Embassy, one of the capital's oldest and architecturally finest buildings, to make way for a multi-storey car park.

A large part of the problem is that many ethnic Chinese still cling to their old ways, and Indonesians are loath let them forget them. Many commentators feel President Suharto could do more to counter the prejudice.

To encourage the rich Chinese to invest in Indonesia, he does favours for a trusted few, like Mr Liem Sioe Liong (Indonesian name Soedono Salim).

Chinese in public service fare less well. In the powerful armed forces, it is difficult for Chinese to get regular commissions except, for example, as army doctors. They rarely rise to the rank of colonel, and never higher than that.

In more than 20 years of Suharto's New Order Government, no Chinese has been chosen as a minister. Indeed Mr Kwik Kian Gie last year became the first local Chinese to take his seat in the country's National Assembly, without first changing his name. Paradoxically, Mr Kwik is a member of the small nationalist party, the Indonesian Democratic Party.

Hong Kong $12.4m court case fails

MR FRED LEE, a Hong Kong-based Taiwanese businessman, has failed in his court action against the Standard Chartered Bank to secure the return of $12.4m it surrendered to a New York Court in connection with an insider trading case, Michael Marray reports from Hong Kong.

Standard Chartered had abided by a court order won by the US Securities and Exchange Commission in one of its biggest ever insider trading investigations, handing the money over to the court in mid-August. This followed charges being laid against Mr Lee alleging that he had illegally earned $19m using inside information.

Taiwan expulsion

Taiwan's ruling Nationalist Party has expelled Mr Hu Chiyuan, a member of parliament who recently visited Peking and held talks with ranking cadres there on the reunification of Taiwan and China, Bob King writes from Taipei.

S African fugitive

South Africa yesterday withdrew a warrant for the arrest of a black fugitive holed up in the US Consulate in Johannesburg, Reuter reports.

Prince's duties

The Japanese Cabinet yesterday formally transferred the official duties of the ailing Emperor Hirohito to his son, Crown Prince Akihito, a government spokesman said, agencies report from Tokyo. Meanwhile, Tokyo protested to the British ambassador about the strongly negative coverage of the emperor in two British tabloid newspapers, the Sun and the Daily Star.

COMMONWEALTH FINANCE MINISTERS' ANNUAL MEETING

Rich and poor gap growing

By **Stephen Fidler** in Limassol

THE ANNUAL meeting of Commonwealth Finance Ministers drew to a close yesterday with a communiqué which contrasted the satisfactory economic growth in industrial countries with falling incomes and increasing poverty in many developing lands.

Nevertheless, after a largely uncontroversial meeting, Mr Shridath Ramphal, the Commonwealth Secretary-General, said he detected a new phase in relations between developed and developing nations. While he did not believe the world was on the verge of a new North-South dialogue, there appeared to be emerging "a consensus between rich and poor countries that has not been there for many years."

There was greater agreement, he said, about what economic problems there were, how they were analysed and how they should be solved.

The communiqué expressed concern over the continued drop in flows of resources to developing countries. It paid particular attention to the sharp decline in private sector flows of funds to the Third World.

It welcomed in principle, as expected, a proposal to establish a Commonwealth equity fund and advised the Commonwealth Secretariat to start a detailed study of the plan. Such a fund should be "based on sound market principles without government guarantees, managed independently and complemented by appropriate policies in both host and capital exporting countries."

On the issue of Third World debt, the meeting called on the World Bank and the International Monetary Fund to assist more actively in "the elaboration of a menu of options including debt reduction." The Bank should be encouraged to take on a larger role in credit enhancement, including greater use of guarantees.

A speedy implementation was urged on the expected accord among the Paris Club or industrialised creditor nations to provide debt relief to the poorest countries.

Ministers expressed concern at the growing arrears to the IMF, which affect Commonwealth members such as Zambia and Guyana but which also affected the fund's ability to assist member governments.

They urged further study of a proposal originally made by Mr Nigel Lawson, the UK Chancellor, for "shadow" IMF programmes to allow backdated access to funding for countries in arrears. At present countries more than six months behind in their payments are ineligible for new IMF loans.

The ministers called for consistent approaches by the World Bank and IMF in their operating procedures and in their approaches to economic adjustment and growth. Many Commonwealth members are worried by cross-conditionality, where World Bank loans are effectively tied to the approval by the IMF of an economic programme. These issues are being studied by officials from the Group of Ten industrialised countries.

Study pinpoints fall in S African sales

A REPORT compiled by Commonwealth experts shows that nine countries which have imposed sanctions on South Africa recently have reduced imports from that country by $1.2bn. Stephen Fidler writes.

Imports by the US from South Africa dropped the most significantly over the period since each of the countries has *imposed sanctions, by $360m,* while imports into Denmark dropped to $6m from $160m.

France cut South African imports by $63m, Canada by $49m and Sweden, Norway, France and New Zealand by smaller margins.

The drop in US imports meant both Japan and Italy surpassed the US in 1987 as the largest importers from South Africa.

Imports to Japan totalled $2.46bn, to Italy $1.79bn, to the US $1.32bn and to West Germany $1.25bn.

UK imports were $1.09bn. The import reductions by countries imposing sanctions in certain product areas were partly *offset by increased purchases* in others, particularly of South African coal and fruit.

Spain, Hong Kong, South Korea, Belgium, Taiwan, the Netherlands, Portugal, Greece and Switzerland all significantly increased the volumes of coal bought from South Africa.

The report, being circulated here as Finance Ministers meet, shows that comparing the 1983-85 average to 1987, the largest increases in percentage terms in South African imports were to Switzerland, Argentina, Taiwan, Turkey and Brazil.

In value terms, Japan's imports increased the most fol*lowed by Taiwan.*

West German exports to South Africa increased by $552m over the period, making the country the largest exporter to South Africa with 1987 exports totalling $2.55bn. It was followed by Japan ($1.89bn), the UK ($1.56bn), and the US ($1.14bn).

Investment aimed at sanctions

SOUTH AFRICAN direct investment abroad is based on the attempt to establish foreign links most likely to be valuable in the event of further economic sanctions, according to a Commonwealth study, Stephen Fidler writes.

The study suggests that "approval for such outward investments is closely related to the development of South African export markets or the 'strategic' protection of market links".

Any such investment must be approved by the South African Reserve Bank and the bank has been known in "worthwhile cases" to approve remission of a portion of investment funds at the more advantageous commercial rand exchange rate.

Investments are not being allocated where they best meet investors' expectations of returns and security, but are being focused on the domestic economy and on foreign links most likely to be valuable in the event of further sanctions, says the report, compiled by an intergovernmental Commonwealth group.

While South African residents hold R17bn ($5.9bn) abroad, only a small proportion of that could be mobilised in a crisis, the report says.

It concludes that the South African economy is in a trap: the economy cannot grow fast enough to prevent unemployment from rising further without strong import growth and a collapse of the current account surpluses necessary to repay its foreign debt.

The report adds that despite a recent increase in trade credits allowed to South African importers, the country's lack of ability to borrow abroad will constrain economic growth this year for the first time since the 1985 financial crisis.

Korean fanaticism bubbles over the boxing ring

MICHAEL THOMPSON-NOEL IN SEOUL

AFTER five days of harmony and international brotherhood, the Seoul Olympic Games yesterday *erupted into riot* – not on the streets but in the boxing ring, where a young Korean bantamweight took violent exception to losing his match.

Chairs flew, angry Korean coaches and supporters brawled and the New Zealand referee was assaulted, after which the boxer himself staged a one-hour sit down in the ring. By nightfall, peace had been restored in the Olympic camp, though the atmosphere still quivered with accusations and distrust.

Riots at boxing matches are admittedly two a penny. But part of the explanation for yesterday's brawl must be attributed to the extraordinary fanaticism with which the Korean sports authorities have psyched up their warriors.

I do not know what they are being fed on, or what they have been told or promised, but to watch wave after wave of Korean boxers, wrestlers and judo fighters hurl themselves at their opponents is a frightening experience.

In utter contrast, the atmosphere at the Seoul Equestrian Park yesterday was exclusive and refined as the toffs of world equestrianism produced a rousing climax in the 3-day event – an examination of all-round skill that comprises two days of dressage, a cross-country stage, and a final jumping test.

In brilliant sunshine Britain won the team silver medal while Britain's Ian Stark, riding *Sir Wattie*, and *Virginia* Leng, riding Master Craftsman, won the individual silver and bronze medals respectively.

No one, however, could catch New Zealand's Mark Todd, the reigning Olympic three-day champion, whose superlative horsemanship on the 16-year old Charisma gave him the individual gold medal with only 42.60 penalty points.

West Germany won the team gold and New Zealand the team bronze. The other members of Britain's silver medal team were Karen Straker, who scored a vital clear round in the jumping, as did Stark, and Captain Mark Phillips, who was 40 yesterday.

Those who would like to cut the Olympics down to size often call for the expulsion from the Games of the horses – along with all team sports as well. But such a move would cause furious wrangling, particularly from Britain.

As the British Olympic Association team handbook says: "The equestrian events – which appeared in the modern Games briefly in 1900 before reappearing permanently in 1912 – are one of the most colourful and exciting spectacles of the fortnight's sport. They also provide one of Britain's most fertile medal furrows." And so they do – a total of 21, including yesterday's three, with the possibility of more to follow in the Seoul showjumping.

Yet the toffs had better watch out. Their gentle sport may be in for an upheaval, because the seventh-placed team in the Seoul three-day event – ahead of Italy, Japan and the US – was. . . Korea.

Israel's 55 parties line up

By **Eric Silver** in Jerusalem

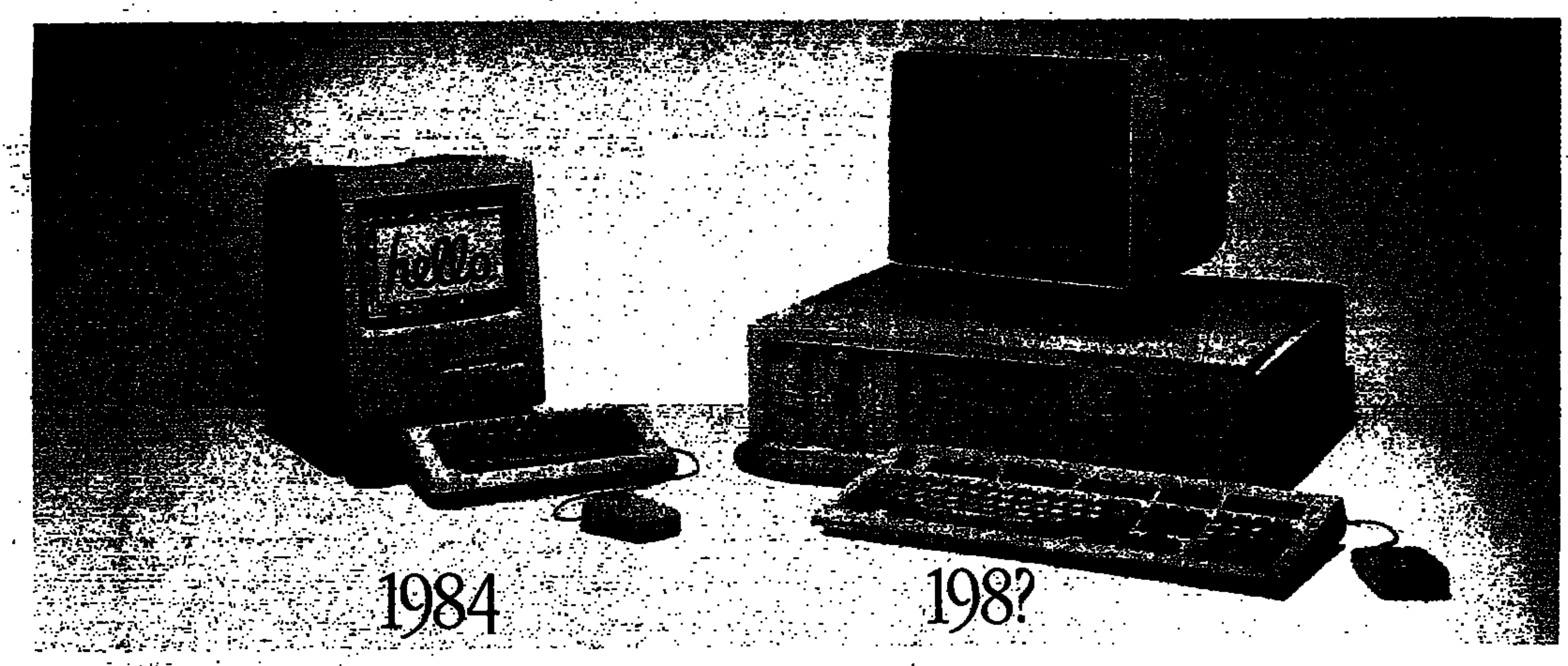
FIFTY-FIVE parties yesterday registered their intention to contest the Israeli general election on November 1. In the last poll four years ago 16 parties cleared the 20,000-vote hurdle to win representation in the 120-seat Knesset, though four of them have since gone into voluntary liquidation.

Not all of the 55 are expected to come under starter's orders. They have till midnight next Tuesday to put up their 12,000 shekel (£4,360) deposit and the signatures of 2,500 supporters.

Aspiring parties *include* an Income Tax Abolition Party, a Politeness Party, the Heads or Tails Party, the Quiet Force, Pensioners and Invalids.

What our competitors hope to do tomorrow, Apple did yesterday.

Apple Computer actually set the ball rolling in 1977 when we created the very first personal computer.



In 1984 we created another first with our launch of the Macintosh™ personal computer. Our competitors then, and now, could only greet it with a blank stare. Macintosh, rather than using computer jargon, used easily understood words and symbols such as files, folders and menus which, with the help of a mouse, speeded and simplified operating.

The mouse, which we introduced in 1983, freed your mind from the drudgery of learning complex keyboard commands. You concentrated on what you were doing, rather than how you were going to do it.

Another innovation in '84 was our pocket-sized 3½" disk. We're flattered to note the number of other manufacturers who have recently adopted the same size. DeskTop Publishing was created by us in the following year to help businessmen produce professionally printed documents in-house. Low-cost networking also saw the first light of day in 1985 when we introduced AppleTalk.™ This gave Macintosh computers the ability to talk to each other as well as with peripherals. Nothing could be simpler, you just plugged one cable into another to open the dialogue.

In 1987 we launched HyperCard,™ a revolutionary way of storing and accessing information. One that is creating an entire industry in multi-media information management.

As a result of the keenness consumers have shown for our innovations they have now become industry standards.

Consequently, we've grown to become the largest dedicated manufacturer of personal computers in the world. To discover more about Apple Computer dial 100 and ask for Freefone Apple.

Next year our competitors hope to catch up with our performance in 1984.

What will we be doing? Suffice to say old habits die hard.

Apple.™ The power to succeed.

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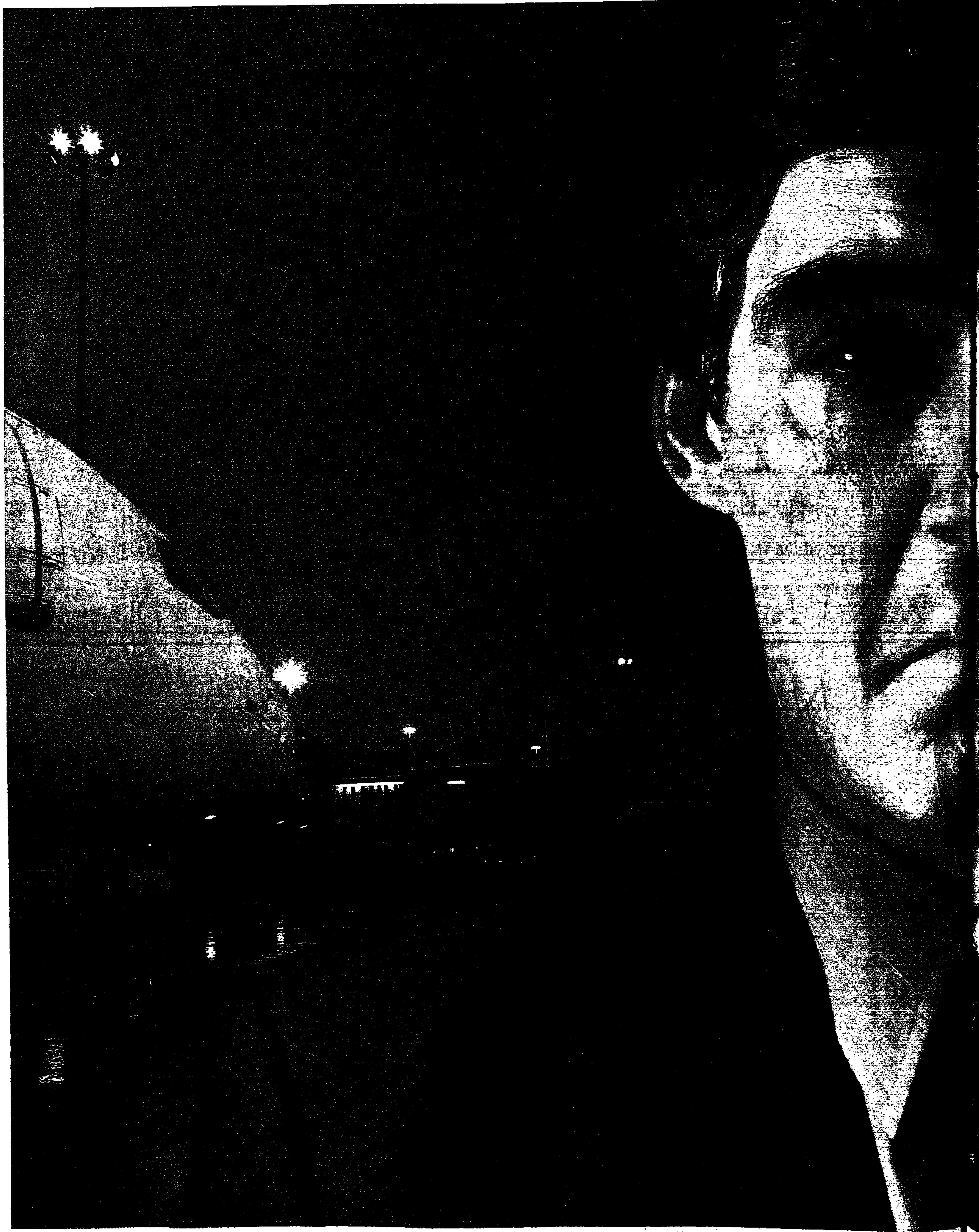


Flying London to Singapore there are two ways of being woken up. All but one airline
use the 'landing for more fuel, halfway there in the middle of the night' technique. Only

WORLD TRADE NEWS

US and EC face crisis over meat hormones

By David Buchan and Peter Montagnon in Brussels

NEW ADMINISTRATIONS in Washington and Brussels next January are likely to have to cope with an immediate crisis in trans-Atlantic trade relations over the likely ending of US hormone-produced meat imports into the European Community, a senior US official forecast yesterday.

Mr Alfred Kingon, the US ambassador to the EC, predicted it was unlikely that the Community would extend beyond December 31 the one-year exemption from the EC's general ban on hormone-produced meat. So far US-EC talks on this issue have produced nothing.

Mr Willy De Clercq, the EC external affairs commissioner, responded that he shared the US envoy's pessimism on this score. The EC did not regard the issue as resolvable by a Gatt panel of medical scientists, as the US has requested.

Trade in hormone-injected meat and Airbus subsidies were, apart from the general US-EC disagreement over agriculture in the Gatt trade talks, the only "outstanding" problems in trans-Atlantic trade which otherwise, Mr Kingon said, was proceeding smoothly. Total two-way trade was likely to rise this year to $160bn, from $145bn last year and $131bn in 1986.

Though less important than Airbus in economic terms, the hormone issue has a fixed deadline, four months away.

By contrast, EC and US officials do not expect any real progress on Airbus, given that decisions on the German component of Airbus – MBB is the target of a Daimler-Benz takeover – are likely to come too near to the US elections in November for the US to make a substantive response until a new administration takes power in Washington.

Mr Kingon acknowledged the EC has "real political problems" in going further in reducing agricultural subsidies than it did at last February's Brussels summit, and meeting the US demand in the Gatt talks for a commitment to long-term phasing out of subsidies in world farm trade.

Gatt postpones decision on US import curbs

By William Dullforce in Geneva

THE EUROPEAN Community yesterday lost a skirmish in its trade battle with the US when the council of the General Agreement on Tariffs and Trade postponed a decision on its complaint against some of the long-standing US import curbs.

US restrictions on imports of sugar, dairy products, peanuts and cotton contravened the terms of the waiver from Gatt rules for agricultural products which the US obtained in 1955, the EC claimed.

The US successfully argued that the EC had not made clear the basis of its complaint and the Gatt council put off until its next meeting the EC Commission's request for investigation by a disputes panel.

Brussels' charge is a tit-for-tat riposte to the US complaint, now under Gatt examination, that EC subsidies are seriously damaging US soybean exports.

This US attack on a similarly long-established Community regime helped to heighten the tension surrounding the talks on the reform of world farm trade in Gatt's Uruguay Round.

Several countries, including Australia, Brazil and Argentina, backed the EC contention that the US import controls were a "cynical" exploitation of the 1955 waiver, which had been intended as a purely temporary measure.

However, the EC blended into its attack on the waiver a complaint against a "headnote" written into the US tariff schedule, which Washington cites as the basis for its import controls on sugar.

Australia won council backing for its request for an investigation into the increasingly restrictive US sugar import quotas, which, it claimed, had cut annual imports from 6m (short) tons to 1.3m tons over the 10 years to 1987.

The EC suffered a further disappointment in yesterday's Gatt council over its request for clearance to take retaliatory action against the US for the US Congress's failure to amend its Superfund Act.

A Gatt disputes panel has condemned the two-tier levy on petroleum imposed under the Act, to help finance a $9bn hazardous-waste clean-up programme, for discriminating against imported oil.

Brussels estimates that the Community has suffered damage of $7.5m and wants to withdraw trade concessions equivalent to that value from the US. The Gatt secretariat advised the council that the damage estimates were correct on the basis applied by the Community but that other bases were possible.

This advice met the interests of other countries, such as Kuwait and Nigeria, which have been hurt by Washington's levy but do not have the EC's ability to take retaliatory trade action.

When the US offered to negotiate with the countries harmed a compensatory package for submission to Congress, the council postponed a decision on the EC request.

Australia wins Intelsat management contract

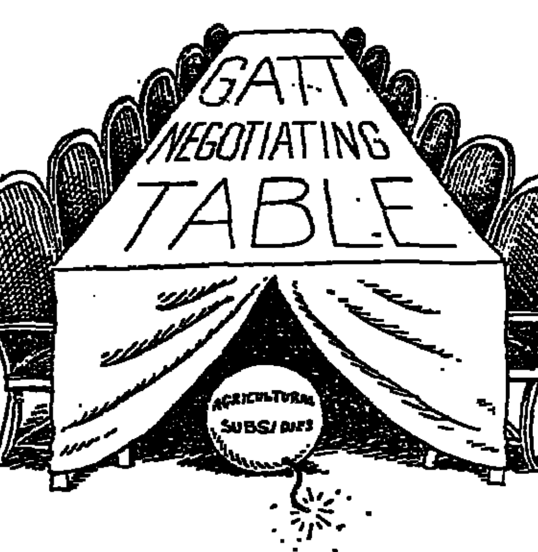
By Chris Sherwell in Sydney

AUSTRALIA'S Overseas Telecommunications Commission, the country's international telecommunications carrier, has successfully bid for a major space communications management contract awarded by the International Telecommunications Satellite Organisation (Intelsat).

The A$40.5m (£18.8m) contract is for the management of Intelsat's satellites over the Indian and Pacific Oceans for five years from 1991, with an option available to Intelsat of extending it another five years. The northern hemisphere part of the contract was won separately by China's Beijing Telecommunications Administration.

Clues to what the Trade Bill really means

Nancy Dunne reports on the guide produced by the US Chamber of Commerce



TO CORRECT many of the misunderstandings and apprehensions surrounding the 1988 Trade Bill, the US Chamber of Commerce has printed the first comprehensive guide through its multitude of provisions.

Mr William Archey, a chamber vice president and the former boss of the US export control regime, presided over the team of trade specialists which produced the guide in order to counter what he sees as the "rampant xenophobia" of the legislation's media coverage.

The straight-forward, easily understood guide book, complete with comic illustrations, describes the changes from previous law and the likely impact of the new legislation.

Never, in the view of Mr Archey, has a piece of legislation been so misunderstood. He says that US trading partners have wrongly seen the debate over the bill as one between protectionists and free traders when, in fact, both extremes have long been widely denounced in Washington.

According to Mr Archey, the new law sends two overriding messages. The first is that US trading partners can no longer operate on "a business as usual" basis in matters of trade policy "as the US intends to more aggressively assert its legitimate trade rights in the international arena." Second, it asserts that the US executive branch must in future give higher priority to trade policy in defining its foreign and security interests.

One of the law's most controversial provisions is "Super 301," which establishes "a systematic approach to national patterns of foreign unfair trade practices." It is felt that "Super 301" has been wildly denounced around Europe.

Under Super 301, the Trade Representative must identify and investigate "priority" foreign trade practices in "priority" countries. He must then negotiate for at least three years to get the offensive practices eliminated. He is required to show progress, but he is not required to retaliate or launch a trade war.

The Act mounts a concerted drive for US access to foreign telecommunications markets. Negotiations are once again required. Timetables are to be established and retaliatory options are specified. But in the end, the guide explains, the President is not forced to act.

He is only asked "to take whatever actions he deems appropriate and most likely to achieve the negotiating objectives for that individual country."

Not all the misapprehensions about the legislation are unfavourable. It does, for example, grant the US President long-awaited authority to participate in multilateral trade negotiations with a minimum of Congressional meddling. Under the "fast-track" approval procedure contained in the legislation, Congress may only vote to approve or disapprove accords.

What is not understood is that the President could lose that fast-track authority at any time, according to the chamber analysis. The US Trade Representative must deem the consultations unsatisfactory and the House and Senate each pass disapproval resolutions within 60 days.

The guide follows a previous success by the chamber which produced the first and most widely sought "side-by-side" comparison of the House and Senate versions of the trade bills. It was favoured by journalists, lobbyists and even Congressional staffers in the months of the bill's negotiation.

The Omnibus Trade and Competitiveness Act of 1988: A Straightforward Guide to its Impact on US and Foreign Business. Order from International Division, US Chamber of Commerce, 1615 H St., N.W., Washington, D.C. 20062. Telephone: 202 463-5460. Cost: $35 (members) $40 (non-members).

Belgium seeks credit changes

By Peter Montagnon, World Trade Editor, in Brussels

OFFICE NATIONAL du Ducroire (OND), Belgium's official export credit agency, is negotiating a change in its statutes which will allow it to undertake pan-European business once the single European market comes into force in 1992.

Until now OND, which is a state-owned but independently managed company, has been confined by its charter to supporting Belgian exports.

However, in the light of 1992 it will have to change its statutes so that it can undertake a broader range of business in the single market, Mr Willy Boes, General Manager said yesterday.

Mr Boes said OND would present proposed new statutes to the Belgian Ministry of Finance by the end of the month.

It accepted that under the changes it would no longer be elgible to offer a state guarantee on commercial risk insurance on credits of up to five years maturity and, for the first time, would have to subject itself to taxation.

However the changes were needed if OND was to face theincreasing competition expected to hit the export credit market in 1992. OND already competes with a private sector Belgian company Assurance du Credit de Namur, in the local market, but it expected to face additional foreign competition after 1992.

Under its proposed new structure OND would remain fully state-owned but it would be able to conduct credit insurance business on its own account instead of just as an agent for thestate.

The changes would mean that "not only Belgian products and services but also European products can be covered and supported by us even when they are not related to Belgian exports," Mr Boes said.

OND's move reflects a general trend in Europe towards shifting responsibility for short term export credit insurance in Europe away from schemes sponsored by governments.

ECGD, Britain's state agency, earlier this month unveiled plans for a study of its operations which could lead to a recommendation to hive off part of its operations to the private sector.

Mr Boes, who declined to reveal specific expansion plans, said OND would face a "substantial handicap" after 1992 if its statutes were not changed.

"There will only be one market. There will not be any distinction betweeen the Belgian, the French and the German market," he said.

OND therefore had to see itself as a general credit insurer, not an export credit insurer, he said.

There would be a premium war in the credit insurance market as private sector companies and banks tried to expand such services.

Export credit agencies face "a very hard struggle". One response might be for institutions like OND to undertake more ventures with other insurers.

Toyota launches joint equity venture in Taiwan

By John Elliott in Taipei

TOYOTA HAS this week become the fourth Japanese motor company to launch an equity-based joint venture in Taiwan, where the booming economy has led to a rapid expansion of the automobile market in the past couple of years.

Nissan, Mitsubishi and Hino have already launched joint ventures, and Fuji is to start one soon, bringing the total to five.

From Europe, Peugeot and Renault have also discussed turning existing technical collaborations into joint ventures, and General Motors is considering producing its Opel models.

The market for domestically produced vehicles is dominated by Ford, which has a 10-year-old joint venture, and Nissan. Together, Ford and Nissan produced 135,000 vehicles last year.

Direct imports are banned from Japan, but are permitted from the US and Europe. So some Japanese manufacturers, including Honda, import indirectly, especially from the US.

But the new interest among motor manufacturers in taking an equity stake follows Japan's reassessment of its global motor manufacturing strategy, and the opening up of the Taiwanese economy.

Taiwan's rules curbing new foreign motor ventures were relaxed in 1985, and requirements for foreign-owned ventures to meet tough export and local manufacturing criteria have also been relaxed.

Nissan and Mitsubishi turned technical collaborations into car and commercial vehicle joint ventures in 1986, each with 25 per cent equity stakes. Nissan's local partner is Yue-Loong and Mitsubishi's is China Motor.

Fuji is taking a 45 per cent stake in a joint venture with Darchin and plans to start producing the Subaru car.

UK NEWS

British Steel tax loss to be limited on privatisation

By Philip Coggan

BRITISH Steel will not retain all of its accumulated £1.87bn of tax losses when it is privatised, Lord Young, Trade and Industry Secretary, announced yesterday.

The state-owned steel producer is expected to be the subject of a £2m stock market flotation in November. The company's years of accumulated losses meant that the balance sheet had to be restructured before flotation.

Had British Steel kept all its tax losses, it would not have needed to pay tax for several years. In the event only £171m of tax losses will be retained although the company will benefit from substantial capital allowances which should keep its tax charge well below the normal 35 per cent level for some time. However, a deficit of around £642m on the group's profit and loss account, resulting from past losses, will be written off so that the company will be able to pay dividends to shareholders.

British Steel is not being required to carry additional debt, as British Gas was when it was privatised in 1986. The decision not to load British Steel with debt but to leave it with its existing £303m of borrowings was widely expected in the City. The more robust the group's balance sheet, the more attractive it will appear to investors.

No new capital will be raised for the company in the flotation. The Government considers that British Steel is generating sufficient funds to finance its investment programme.

The revised capital structure is understood to have the approval of the European Commission.

British Steel is less immediately attractive to the City than some of the early privatisation issues, which had strong profits records and operated in stable markets.

Although the company made profits of £410m last year – its third successive year in the black – investors will need little reminding of the huge deficits incurred in the early 1980s. British Steel still merits a place in the Guinness Book of Records for the largest corporate loss – £1.78bn in 1979/80.

Charles Hodgson adds: Mr Bryan Gould, Trade and Industry spokesman for the opposition Labour Party, described the plans as "another instance of a public enterprise's books being adjusted to make it attractive to the market" in which the taxpayer had drawn "the short straw".

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BP sells stake in Magnus field

By Max Wilkinson, Resources Editor

BRITISH Petroleum yesterday announced that it intends to sell about 20 per cent of its Magnus oilfield in the northern sector of the North Sea.

At present prices the stake would realise about $500m which the company will use to continue its strategy of reducing debt.

The decision is in line with BP's established policy of trying to dispose of assets which it believes will be of more value to other parties than to itself.

In this case the additional value to a potential purchaser would arise from the possibility of offsetting exploration expenditure elsewhere in the North Sea against the 70 per cent Petroleum Revenue Tax payable on production from Magnus.

BP is unable to take full tax advantage of the field because it has already used up its potential tax offsets. Yesterday's proposal is similar to the recent sale of a minority interest in BP's Forties field.

At the current North Sea oil price, a 20 per cent stake in Magnus would produce gross revenues of more than $130m annually.

The field, which is 100 per cent owned by BP, is situated 125 miles north-east of the Shetland Islands, off the Scottish coast. It cost £1.3bn to develop and came on stream in 1983.

Total production this year is expected to average 139,000 barrels per day, plus 66m cubic feet of gas per day. Last year the total recoverable reserves in the field were uprated by 14 per cent to 665m barrels.

The sale of the minority interest is to be by competetive bidding. Some 40 companies have been invited to tender. They will be able to bid for variable amounts of the field, subject to a minimum stake of 2.5 per cent.

BP said yesterday that the number of new partners will be not less than two and not more than six. The deadline for submission of tenders is November 11.

Three Czech envoys given 14 days to leave Britain

By Robert Mauthner, Diplomatic Correspondent

THREE Czechoslovak diplomats were yesterday expelled from Britain for "engaging in activities incompatible with their status," bringing to seven the number of foreign envoys ordered to leave the country within the last month.

The action by the Foreign Office marks a toughening of the British government's attitude towards foreign diplomats who have shown an increasing tendency lately to ignore both the law of the land and the rules governing their diplomatic immunity.

The expulsion of Captain Bedrich Kramar, Assistant Military and Air Attache, and embassy clerks Vlastimil Netolicky and Pavel Moudry, comes on the eve of a sharp warning due to be delivered today by Mr Tim Eggar, Foreign Office Minister, to foreign diplomats in Britain about the need to respect the rules of diplomatic behaviour.

"Engaging in activities incompatible with their status" is the customary diplomatic euphemism for spying. The three envoys have been given 14 days to leave the country, which is considerably more generous than the 24 hours given to the Cuban and Vietnamese diplomats who suffered a similar fate two weeks ago.

Ten days ago, the Foreign Office expelled the Cuban Ambassador, Dr Oscar Fernandez-Mell, and a junior Cuban envoy and suspected intelligence agent, Mr Carlos Medina Perez, after the latter had fired a pistol outside his London flatat a group of people who had been following him. On the admission of the police, these included British security agents, while the Cubans claimed that a former Cuban diplomat who had defected to the US, was also one of the party and was injured by the shot fired by Mr Perez.

The Cuban incident followed hard on the heels of the expulsion of Mr Tran Van Hung, a Third Secretary at the Vietnamese Embassy, who had pointed a loaded revolver at a group of demonstrators outside the embassy building. A Tunisian diplomat was also ordered to leave Britain last week for failing to pay parking fines.

The Czech Ambassador, Mr Jan Fidler, who was summoned to the Foreign Office yesterday to be told of the expulsion of three of his diplomats, was informed that Britain continued to attach importance to the future expansion of contacts with Czechoslovakia. But Sir Geoffrey Howe, the Foreign Secretary, said the Government was not prepared to tolerate the sort of activities in which the three diplomats were engaged.

A Foreign Office spokesman denied that these activities had anything to do with the supply of Semtex explosives by Czechoslovakia to the Irish Republican Army. Only last month, the Czech authorities, in what was seen in London as a conciliatory gesture, agreed to do what they could to control the supplies of these explosives and said that they had never knowingly provided them to anyone with terrorist connections.

The spokesman also declined to comment on whether there was any connection between the expulsions and the arrest earlier this year of Erwin van Haarlem, an art dealer accused of spying and believed to be a Czechoslovak citizen.

Employers urged to act on inner city decline

By Hazel Duffy

AN ESTIMATED £50bn should be spent on Britain's decaying urban areas to prevent them being trapped in a spiral of further decline, according to a Confederation of British Industry report published yesterday.

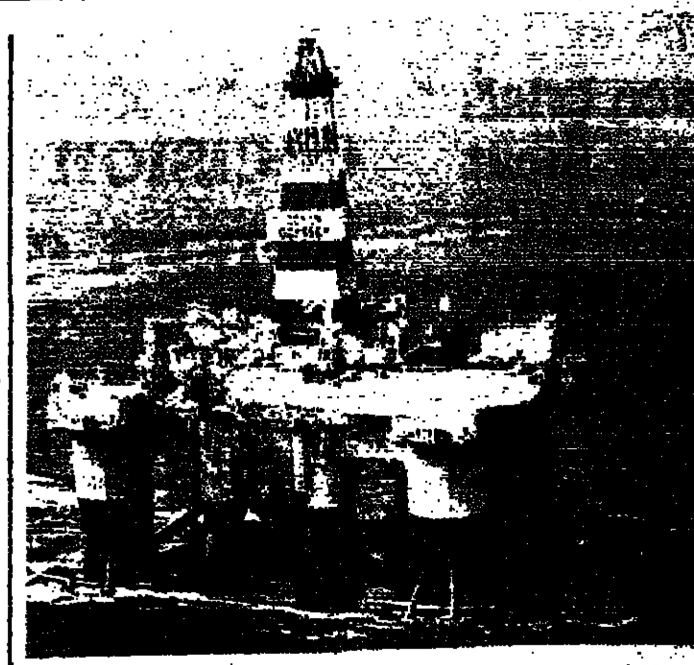
The report, by a group of top businessmen chaired by Mr Tom Frost, group chief executive of National Westminster Bank, is the first response from the private sector to the Government's challenge to business to play the major part in reviving the inner cities.

The perils of business ignoring the ball put in its court by the Prime Minister are outlined in the report. It warns that many of the factors which created an underclass of people in some cities in the US are already present in inner London and other cities such as Newcastle, Glasgow and Liverpool.

It is implicit in the report is that companies have not yet responded on anything like the scale which is needed.

The CBI urges businessmen to set up teams which will work with local government and other interested bodies in drawing up an "agreed vision" for their cities and towns, identifying "flagship projects which will break into the cycle of decline", and create a property market in the inner cities.

Advice on setting up teams – already working in Newcastle, Birmingham and Sheffield – will be available from a forum to be chaired by Sir Hector Laing, chairman of Business in The Community, and include Mr Frost and Mr John Banham, CBI director general.



The Ocean Odessey operated by Arco

N Sea crew rescued from oil rig blaze

By Max Wilkinson and Louise Kehoe

ONE MAN was missing last night after fire engulfed a North Sea drilling rig, apparently after a blow-out and an explosion.

The crew of 67 abandoned the semi-submersible rig, Ocean Odessey, in the central part of the North Sea and all but one were rescued.

Atlantic Richfield, the Los Angeles-based oil company which had chartered the exploration rig from Odeco, said yesterday that the cause of the accident was uncertain.

A spokesman for the company said the drilling platform was carrying out oil exploration in the North Sea some 130 miles east of Aberdeen. It was not a production platform and was considerably smaller than the Piper Alpha platform, which exploded with a loss of 167 lives 10 weeks ago.

"We don't yet know what caused the explosion and fire," the Arco spokesman said. We know that there is a gas flow at the surface but we have not determined whether the gas caused the explosion, or whether it occured as a result of the explosion.

Coastguards said that all the men rescued were believed to be unhurt. A search for the missing man is continuing. Evacuation of the rig was orderly, Arco said.

The rig was exploring 15 miles south-east of the Montrose Field when the accident happened.

Usually mud, pumped into exploratory drilling pipes, prevents any pocket of high pressure gas or oil from flowing back to the surface.

Occasionally, however, a blow-out can occur when the pressure of a gas find is too great to be held down by the weight of mud. Blow-out preventers are fitted to cope with such an emergency, but these may not have worked yesterday.

Arco says it reviewed its safety measures on North Sea platforms in the wake of the Piper Alpha disaster.

It could not, however, be immediately determined whether any changes had been made.

Survivors taken from liferafts by helicopters, were landed aboard two oil rig supply vessels the Notts Forest and the British Fulmar.

Three helicopters from RAF Pitreavie, RAF Kinloss and RAF Bulmer were sent to the rig with an RAF Nimrod and civilian helicopters within minutes of the fire being reported.

Ships near by went to the scene as soon as the seriousness of the accident became clear. Coastguards said that at least 10 vessels answered the emergency call.

Forty-one of the crewmen aboard the rig are employed by Odeco. The remainder work for Arco and sub-contractors.

Mr Peter Morrison, the energy minister in charge of the North Sea, has ordered an inquiry. A spokesman for his department said a team of experts in controlling fires aboard North Sea rigs had been assembled at Aberdeen.

He added that the rig had passed a safety inspection only last week.

Mr John Prescott, Labour energy spokesman, said he was concerned there had been another North Sea incident so soon after the Piper Alpha tragedy.

Mr Roger Lyons, assistant general secretary of the Manufacturing, Science and Finance Union which represents some of the rig workers, said he was concerned that nothing had been done to improve safety on North Sea rigs since the Piper Alpha tragedy.

"How many more lives must be lost or put at risk before we get an idependent safety inspectorate and proper trade union safety representation implemented in the North Sea oil and gas industry," he asked.

"I can only hope the Government will move after today's near-tragedy," he added.

UK NEWS

Shearson staff vigilance thwarted fraud attempt

By Alan Cane

THE ATTEMPTED Eurobond fraud which would have cost the London branch of Mitsubishi Finance International £15m was prevented only through the vigilance of operations staff at Shearson Lehman Hutton, the US financial services company.

Mr Andrew Corcoran and Mr Martin Izatt, members of Shearson's "back office" operations team, were puzzled when a package of Eurobonds was delivered electronically to the firm's London offices over the British August bank holiday without a corresponding order from Shearson or instructions for delivery.

They raised the alarm, and the City of London police company fraud department was alerted. With Shearson's help, a trap was set which led to the arrest and detention of two men in Switzerland as they attempted to draw the proceeds of the fraud.

The attempted fraud involved the culprits gaining access to a computer network, Euclid, operated by the Brussels-based Eurobond clearing house, Euroclear. They were then able to initiate electronic procedures which resulted in the transfer of the securities over the network from Mitsubishi to Shearson. Euroclear and Cedel are the two Eurobond clearing houses, each operating an electronic clearing network.

Police, the two firms involved and Euroclear are refusing to give any details of how the attempted fraud was perpetrated or how the trap was set to catch the culprits while inquiries continue.

There are also fears that others may be tempted to copy the methods used. Superintendent Donald Randall expects his investigations will take at least a further 10 days. Mitsubishi agreed yesterday, however, that the breach in security had been its responsibility and that no member of Shearson's staff were implicated in the attempted fraud.

It is understood that the fraudsters gained access to Euclid by way of the telephone network using a personal computer. Security in the Euclid network depends on passwords. Anybody knowing the correct sequence of passwords would be able to gain access to the network and initiate orders for the transmission of stock.

A spokesman for Euroclear said last night that it believed Euclid was a secure network but agreed that its integrity depended on the standard of security observed by its member banks: "We are in the hands of our customers" he said. In the light of the Mitsubishi fraud attempt security would be reviewed.

Retailers to fight European VAT plans

By Maggie Urry

A CAMPAIGN against the European Commission's proposals for a minimum 4 per cent rate of valued added tax was launched yesterday by a group representing retailers, consumers and charities.

As part of the move to a single European market the EC is proposing an "approximation" of VAT rates throughout the community.

All goods would be subject to VAT at either a lower rate for "social" items or a higher rate for non-essential items. Individual governments could choose to set the lower rate in a 4 to 9 per cent band and the higher rate between 14 and 20 per cent.

Mr John Irish, a deputy chairman of the Retail Consortium, a body which represents 80 per cent of retailers in the UK, said that a number of goods such as food, fuel, passenger fares, drugs, childrens clothes and shoes, which are currently zero-rated for VAT in the UK, should continue to attract no VAT since they are basic necessities. The increase in prices would cause sales to fall.

He proposed a lower rate band of zero to 6 per cent so that individual governments could choose a nil rate of VAT. He argued that the imposition of VAT on these goods was not a pre-requisite to a single market.

Mrs Janet Graham, chairman of Consumers in the European Community, a group which represents 28 consumer groups, described the EC's proposals as "unjust and unnecessary."

She said that in poorer families up to half their spending went on items which are zero-rated at present. The rise in prices caused by the imposition of VAT would cause hardship.

She said that, according to Treasury figures, the average person would have to spend an extra £1 a week if the lower rate of VAT was imposed at 4 per cent, and £2.25p if it was set at 9 per cent.

The EC argues that different VAT rates would create a distortion in trade.

Ms Graham said that cross-border shopping was not causing distortions. She argued that differences in retail prices in different countries were mainly caused by other factors such as manufacturer's pricing policies.

Mr Barry Gifford, executive chairman of the Charities VAT and Tax Reform Group, siad charities already paid more than £100m a year in VAT and this could double or treble if the proposals were enforced.

Public 'will not pay' for satellite TV

By Raymond Snoddy

Seven out of 10 Britons say they would not be prepared to pay anything extra to receive new satellite television channels.

This apparently bad news for satellite television companies comes in a MORI poll for the Reader's Digest on attitudes to television in the UK.

The 21 per cent of people who were ready to pay extra talked of annual sums ranging from £10 to £1,000. The mean figure was £16.95 annually, compared with British Satellite Broadcasting's plans to charge around £10 a month for its subscription film service.

Around 45 per cent of the representative sample of 2,007 adults interviewed said they were very satisfied or fairly satisfied with the television service they received.

London trains face greater congestion

By Kevin Brown, Transport Correspondent

LONDON'S underground trains are likely to more congested in five years' time than they are now, despite a £1.5bn investment programme, Mr Tony Ridley, chairman of London Underground, admitted yesterday.

Mr Ridley was launching a five-year "Plan for Action" designed to tackle congestion and raise service quality "to the standards which Londoners today quite rightly expect."

However, the plan contains few proposals which had not previously been announced. In addition, London Underground has not yet sought approval for up to £750m of Government funding which would be required.

The plan is designed to increase capacity – measured in train miles – by 7 per cent over the next five years. But the Underground is forecasting an increase in peak demand of 10 per cent over the same period. This means that congestion is bound to worsen.

Mr Ridley said the plan was intended to make the best use of the existing Underground system, until new capacity could be constructed in the next century. But he admitted: "We will be running very hard, with difficulty, to keep up the rate at which we can squeeze additional capacity out of the system." It was not possible simply to spirit away congestion.

This bleak outlook for Underground passengers follows the first full-scale review of the Underground since 1982-83 and reflects a dramatic change in circumstances and prospects.

In 1982, the Underground was at the end of a 30-year period of declining demand, and most forecasters were predicting a continued fall in London's population.

As a result, there had been little investment in the infrastructure of the system during the 1970s and early 1980s, and lax management as a result of political interference by the former Greater London Council.

No plans were made for increasing capacity, but operating costs were running out of control, and service levels were declining – only 91 per cent of scheduled services ran in 1982.

The picture changed dramatically, and unexpectedly, in 1983, when the number of passengers began to rise. That trend gathered pace as economic recovery continued and the population of London began to rise again from 1985.

As a result, the number of passengers has increased from 498m in 1982 to 798m last year – an increase of 60 per cent over five years, which is thought to be the fastest rise in metro patronage anywhere in the world.

London Underground has reacted by increasing capital investment significantly in real terms over the last five years - from £142.3m in 1982 to £171.2m in 1986-87. But the increased spending has had little effect so far, because much of it is simply making up ground lost during the 1970s.

Dreams of cable-free phones near reality

Terry Dodsworth examines the millimetre spectrum

ENGINEERS have dreamed for decades about a world where office telephones operate without cables, and where the man in the street can walk around with his own unobtrusive telephone handset in his pocket.

These dreams are now moving close to reality. Indeed, some electronics specialists believe that by the end of the century it should be possible to achieve both of these visionary targets, along with a host of other communication and broadcasting innovations. The key, they say, is the development of new semiconductor technology that will make it practicable to use a group of radio waves known as the millimetre bands.

In a consultative document issued this week, the Department of Trade and Industry argued that technological advances by the chip manufacturers have now reached the point where they open up the prospect of creating new mass markets based on the millimetre spectrum. These markets should be large enough to yield significant economies of scale to the manufacturers.

Hence equipment prices, which would be prohibitively high at present, should be forced down in the classic manner of the electronics industry, generating increased demand in the process.

The main problem in using the millimetre wavebands is that that they can carry signals only for a very limited distance. This feature, however, can also be an advantage, because it is possible to use the wavebands time and again in different locations without radio interference, hence increasing the capacity of the system. Indeed, capacity in the millimetre spectrum is much larger than in the current wavebands used for broadcasting. The trick in commercial exploitation is to work out how this characteristic can be turned into effective services.

The DTI believes that there may be many applications that it has not yet thought of, but it has already sketched out a number of uses, including:

- The cable-less office, where telephones are connected by a low-power radio network. Staff could carry their telephones around with them – and they would not have to be re-connected when they moved office.
- Cordless telephone systems for mobile use of the type that are already being developed for launch in the UK next year using current radio technology. The existing telephone network would have radio receivers built into the cabling at fixed intervals, so callers would be able to dial into the system when on the move.
- Linking the telepehone systems in contiguous buildings. Telecommunications regulations allow companies to do this over short distances of up to 200 metres already, but cabling can be expensive. A pair of millimetre transceivers could relay a large quantity of messages.
- Electronic funds transfer at point of sale (Eftpos). This system of transferring funds from a customer to a retailer via a plastic card transaction at the point of sale could be speeded up by the use of millimetre radio links. Millimetre-based services will be capable of extremely fast data transmission.
- New video distribution services. A millimetre-based system could be a contender for the distribution of microwave multichannel television signals – a service which is currently being considered by the Government.

In the past few years, developments in the UK and elsewhere have shown the potential of several markets of the type now being outlined by the DTI. To take just one example, cellular mobile technology, which has transformed the car telephone industry, has been based on using a part of the limited-range radio spectrum in an innovative manner. The country is broken up into cells so that the same short-range radio frequency can be used over and over again to link the handset into the fixed telephone network.

The new generation of car telephones, however, only became possible because of developments in semiconductor technology which made it possible to pack complex systems into a small handset.

Similarly, many of the uses of millimetre wavebands, particularly where they involve a marriage of radio and telecommunications technology, will depend on progress in chip design and manufacturing. In particular this may hinge on advances in semiconductors made from gallium arsenide, a difficult material to work with, but one which promises exceptionally fast signals processing.

One of the question marks over Britain's ability to exploit millimetre technology lies in the country's investment in gallium arsenide chips, where a DTI effort to marshall the resources of Plessey and the General Electric Company under a common scheme collapsed earlier this year.

The DTI nevertheless clearly feels that an attempt to stimulate the market by publicising the possibilities of millimetre technology will encourage investment by industry. At the same time, the Government is moving at an early stage with the aim of having a stronger hand in European discussions on the use of the wavebands. The earlier the UK develops standards and principles for the use of different bits of the spectrum, it believes, the easier it will be to have an influence on developments in the rest of Europe.

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ARTS

Arts Week

F	S	Su	M	Tu	W	Th
23	24	25	26	27	28	29

THEATRE

London

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash Emile Belcourt out of her hair (839 5989).

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old-burlesque reunion in a doomed theatre (379 5399).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support (836 6404, credit cards 379 6233).

Scheveningen

Barnum (Circus Theatre), with Mike Burstyn in the title role (Wed, Thur) (55 88 00).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598 7100).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15 (254 3770).

Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3670).

Tokyo

Kabuki (Kabuki-za). The morning programme, at 11am, includes Kago Tsurube, with Living National Treasure, Utaemon, in one of his most famous roles as a sophisticated courtesan who gulls a country bumpkin. In the afternoon, at 4.30pm, the programme includes Il Tairo, a "new kabuki play" set in the 19th century at the time of Japan's opening to the West, as well as one of the most famous works in the kabuki repertoire, Kanjincho (The Subscription List), in which a wily servant outwits his master's pursuers. Ends September 25 (541 3131).

Noh (National Noh Theatre). A double bill consisting of the sacred ritual Okina (old man), on which all noh is said to be based, and a true noh play, Tenko. Japan's most esoteric art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "Western" nation. (Most other Noh theatres are open only at weekends; check local press for details). (423 1331).

Bunraku (National Theatre). The bunraku puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance, while a narrator at the side of the stage unfolds the story to musical accompaniment. This month's performance features Hiragana Seisuiki, a play written in the Jidaimono (classical) style in 1739. The two surviving acts have no connection with each other and are performed at 12 noon and 5.30pm. Earphone commentary in English. Ends September 25 (265 7411).

Takigi Noh (Noh by torchlight). In the warmer months, Japan's most esoteric art form moves outdoors for performances by torchlight (usually augmented by electricity). Two separate programmes, consisting of one noh play and a kyogen (comic interlude) are performed on successive nights among the high-rise buildings of Shinjuku. Sumitomo Building (Wed, Thurs).

Gorky Theatre, Leningrad. The Story of a Horse (adapted from Tolstoy's short story and performed in Russian). The Bolshoi Drama Theatre, better known as the Gorky, was founded in 1919 and is now one of the Soviet Union's most popular and most innovative companies. Its repertoire is strong on both the classics and on new plays by Russian writers. This, its most famous production, is about a sick gelding looking back on his life prior to being destroyed: a sad victim of Tolstoyan destiny. (Wed). Globe Theatre (572 6331).

EXHIBITIONS

Paris

Carte Musées et Monuments, sold in museums and Metro stations, enables visitors to avoid queues at 60 museums and monuments, including the Louvre, Musée d'Orsay and Versailles

Centre Georges Pompidou. The Fifties, taking over Beaubourg for three months from the ground floor upwards. The postwar creative dynamism of the Fifties is represented by cars, comics, music, cinema, literature, industrial creation and – on the fifth floor – by visual arts. The great figures of Matisse and Picasso open the exhibition with works in black and white; monochromes by Yves Klein and Montana close it. (42.77.12.33). Closed Tue. Ends Oct 17.

Musée d'Orsay. The spectacular museum of the 19th century is situated opposite the Tuileries Gardens within the metallic structure and the glass-roofed vault of the vast Belle Epoque railway station. It houses paintings, sculptures, objets d'art and photographs from the end of the romantic period to the beginnings of modern art and the Impressionists and post-Impressionists collections formerly in the Jeu de Paume. Here they are counterbalanced by academic painters, their contemporaries, long derided for their pomposity. 1 Rue Bellechasse (45.49.48.14). Closed Monday.

***Musée d'Orsay.** Cézanne, The Early Years (1859-1872).* The 63 paintings and 20 drawings and watercolours, already seen in London and on their way to Washington, reveal a hitherto neglected period of the artist's life. The young Cézanne, fascinated by Courbet, influenced by Delacroix, Daumier and Manet, a friend of Zola and an admirer of Wagner, expresses his genius in compositions full of violence and eroticism – with the painter always the *voyeur*. The execution is daring, with sombre colours wrought into the canvas by a broad palette knife. There are portraits and self-portraits, still lives and landscapes, all pioneering modern art. (45.49.48.14). Closed Mondays. Ends January 1.

Artcurial. Zao Wou-Ki's retrospective traces the development of an artist formed both by the ancient traditions of Chinese art and by the works of the Impressionists and of Cézanne, Matisse and Picasso. From paintings inspired by landscapes, he moves on to poetical abstracts which, from 1959 onwards, do not have titles, only dates. 9 Ave Matignon (42.99.16.16). Ends Nov 10.

Picasso Museum. The 17th century Hotel Sale, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne and Douanier Rousseau. 5 Rue Thorgny (42.71.24.21). Closed Tuesdays.

Musée de Cluny. Medieval art in Paris. The abbots of Cluny built their magnificent late Gothic town house in the heart of the Latin Quarter on the blackened ruins of Roman baths. Now a museum, it houses medieval works of art, including a set of the Lady and the Unicorn mille fleurs tapestries – an allegory of the five senses, one of the masterpieces of medieval art. Place Paul-Painlève, Métro Odéon. Closed Tuesdays and lunchtimes (43.25.62.00).

Berlin

Time Comparison 1988. Thirteen painters, spanning three generations, present the East German art scene in the 1980's. This exhibition concentrates on figurative painting and portraits. Among the artists are Hampel, Heisig, Ebersbach, Tubke and Libuda. Neues Kunstquartier, Gustav-Meyer-Allee 25. Ends Nov 20.

Bremen

Georg Baselitz, The Motif. Forty pictures by the German expressionist, born in 1939, from his most recent period. Kunsthalle Am Wall 207. Ends Oct 30.

Stuttgart

To celebrate the 85th anniversary of the German Art Association, around 950 works by 280 artists are being displayed in four different museums. The presentations are divided up into various subjects: informal constructions; places and sounds; old subjects – new pictures; and landscapes. There are also works by German and French artists from 1903-1906. The Association is helping young artists by donating DM40,000 (over $20,000) in prize money. Wurttembergischer Kunstverein; Kunstgebaude am Schlobplatz; Staatsgalerie, Konrad-Adenauer-Str 30-32. Ends Oct 12.

Schleswig

Schleswig Holstein Landsmuseum. 1,000 years of Russian Art. This exhibition celebrates the 1,000th anniversary of the Russian Orthodox Church, taking as its theme the new alliance between church and state. The 453 selected pieces are on loan from 14 different Soviet museums, with the highlight provided by 130 icons from the 13th to the 20th century. Modern painters include Kadinsky, Natalja Gontscharowa and Kasimir Malewitsch. Ends Oct 24.

Vienna

Museum of Modern Art/Museum of the 20th century. Works by Oswald Oberhuber, one of Austria's finest artists. Ends October 26.

The Austrian National Library. The Arab world in Europe. A marvellous collection of letters and other literary items. Ends October 16.

Hermes Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floege. Ends Feb 19.

Secession. Klimt's Beethoven Frieze is now back in its rightful and original place in the restored Secession. The Secession was founded by a group of artists, Klimt included, at the turn of the century. At the time, it provided a haven and experimental ground for artists who were tired of the old established and conservative Kunstlerhaus or arts Academy.

Venice

Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. The exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Many of the 1,200 objects displayed are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Rome

Palazzo Venezia. Imago Mariae. Over 100 works, including masterpieces by Gentile da Fabriano, Pinturicchio, Correggio, Giaquinto and Tiepolo, showing the progressive humanisation of the Virgin Mary from the austere figure of the Middle Ages to the gentle and accessible charm of the Renaissance and Baroque portrayals. Ends Oct 4.

Bologna

Pinacoteca Nazionale and Museo Archeologico. Guido Reni (1575-1642). A splendid collection of paintings by the Bolognese mannerist painter, the first to bring the concept of physical beauty into sacred art. His depictions of the Virgin Mary have looks and temperament which recall Thomas Hardy's tragic heroines. The paintings come from major Italian and foreign museums. Many have been restored for the occasion (such as the remarkable Massacre of the Innocents), and some have not been on public display for many years. The Triumph of Job (also newly restored) had been hidden in the right-hand bell-tower of Notre-Dame in Paris since 1797. Until Dec 8.

Martigny

The Gianadda Foundation is showing the second part of treasures on loan from the Sao Paulo Museum. Entitled From Manet to Picasso, it is especially rich in Renoirs, from society portraits and little girls in frothy lace and pink and blue satin, to a fleshy nude. Van Gogh, too, is well represented with his famous Arlésienne and landscapes with tormented trees. There is Cézanne's portrait of his wife, a Tahiti scene by Gauguin, early Picassos and Manet's Marie Lefebvre, riding side saddle all clad in black and looking as seductive as Bonnard's appealing nude or Degas' ballet dancers. (33978). Ends Nov 6.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1580. Ends Jan 8.

Museum of Modern Art. Almost 100 black-and-white prints illustrate Matisse's influence during a 50-year printmaking career that included lithography, drypoint, etching and linoleum cut. Ends Nov 6.

Chicago

Art Institute. The first major retrospective in 30 years of Paul Gauguin includes more than 230 objects and major paintings from all the periods of his exotic and far-flung life. Ends Dec 11.

Tokyo

Tokyo National Museum. The Splendour of Turkish Civilization: Ottoman Treasures from the Topkapi Palace. The former Seraglio of the Sultans in Istambul boasts a magnificent location, overlooking the Bosporus, and houses a superb collection of classical antiquities, manuscripts, armour, textiles and other artefacts. This selection of 150 items focuses on the heyday of the Ottoman Empire, from the 16th to 19th centuries. Highlights include a steel helmet incrusted with priceless rubies, turquoises and amethysts, and a wooden throne inlaid with ebony, mother of pearl and silver. Closed Mondays.

Hara Museum of Contemporary Art, Shinagawa. Oil paintings by Tomie Ohtake, who emigrated to Brazil in 1936 and is now regarded as one of Latin America's liveliest abstract artists. This is her first solo exhibition in her native country and has been organised to commemorate the 80th anniversary of the arrival of the first Japanese immigrants in Brazil. Closed Mondays.

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait – such as Monet's depiction of his wife in a red kimono – to copies of Japanese pictures and scenes from Japanese life. Closed Mondays.

Ueda Gallery, Ginza. New works by Shoichi Ida. Ida is regarded as one of Japan's leading contemporary artists and has exhibited widely at home and abroad. He is best known for his work in paper. This exhibition gathers recent works, many from a series entitled the Garden Project and Lotus Sutra, where stones, twigs and other natural materials evoke images of Japanese gardens. Closed Sundays. Ends October 15.

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited new staging of Wagner's Ring by Yury Lyubimov, conducted by Bernard Haitink, begins at the beginning, with Das Rheingold. James Morris (Wotan), Kenneth Riegel (Loge), and Ekkehard Wlaschiha (Alberich) head the cast. Also in repertory: Turandot, with Gwyneth Jones in the title role, and Die Entführung aus dem Serail, conducted by Jane Glover.

English National Opera, Coliseum. First new production of the ENO season is David Pountney's radical staging of La Traviata. Mark Elder conducts, and Helen Field, Arthur Davies and Alan Opie are the principals. Pountney's ugly, coarse-grained modern-dress Carmen sports at least a fine cast (including Jean Rigby, Jacque Trussel and Sergey Leiferkus) and conductor (Yan Pascal Tortelier). The limply staged wartime-in-Mussolini's-Italy Tosca production by Jonathan Miller has the vivid Janice Cairns in the title role, Edmund Barham, and Malcolm Donnelly (836 8161).

Michael Clark and his troupe, for those who like post-modern punk dance.

Paris

Opéra. Verdi's Rigoletto conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier after 18 years' absence with Neil Shicoff/Taro Ichihara as the Duke of Mantua, Alain Fondary/Manuguerra as Rigoletto and Alida Ferrarini/Christine Barbaux as Gilda (474 25750).

Palais des Sports, Alvin Ailey and the American Dance Theatre present the Suite Afro-Caraïbes for bird, with love and revelations. (Bookings 48.28.40.90; information 48.28.40.48). Until Oct 16.

The Hague

Danstheater. The Netherlands Opera production of Bluebeard's Castle by Bartok, with Henk Smit as Bluebeard and Kathrine Ciesinski as Judith. Directed by Herbert Wernicke, with the Netherlands Philharmonic under Hartmut Haenchen (Tue). (60 49 30).

Amsterdam

Muziektheater, the Carolyn Carlson dance company with the première of Dark (Tue to Thur). (255 455).

The National Ballet and the Schonberg Ensemble under Reinbert de Leeuw on tour with a new ballet by Jan Linkens to music by Janacek, Glenn Tetley's Pierrot Lunaire, and Hans van Manen's Five Tangos. Mon in Nijmegen, Schouwburg (22 11 00). Tue in Heerlen, Schouwburg (71 66 07), Wed in Arnhem, Schouwburg (422 741).

Vienna

State Opera. In repertory: Pelleas et Melisande, conducted by Claudio Abbado, with Frederica von Stade, Christa Ludwig, Malcolm Walker (Fri). La Fanciulla del West conducted by Anton Guadagno, with Waltraud Winsauer, Silvano Carolli (Sat). L'Italiana in Algeri conducted by Claudio Abbado, with Georg Tichy, Agnes Baltsa, Patrizia Pace (Sun, Wed). La Nozze di Figaro, conducted by Franz Welser-Möst, with Margaret Price, Sylvia McNair, Margareta Hintermeier (Mon). Tanz-Schule, ballet by Mauricio Kagel, conducted by Arturo Tamayo, with Ballet d'Action (Tue). Boris Godunov, conducted by Mark Ermler, with Paata Burdschuladse, Robangiz Yachmi, Noriko Sasaki, Czeslawa Slania, Heinz Zednik (Thurs). (51444, ext 2660).

Volksoper. Die Zirkusprinzessin, conducted by Herbert Mogg (Fri). Die Fledermaus, conducted by Konrad Leitner (Sat). Tiefland by d'Albert, conducted by Konrad Leitner (Sun). Madame Pompadour, conducted by Rudolf Bibl (Mon). Gasparone by Carol Millocker, conducted by Rudolf Bibl (Tues). Ballet: Arthur Schnitzler und sein Reigen, conducted by Herbert Mogg (Wed). Cosi fan Tutte (Thur). (51444).

Berlin

Deutsche Oper. Dietrich Fischer-Dieskau lieder recital, with pianist Hartmut Holl, all Schubert programme. Götz Friedrich's production of Falstaff has fine interpretations by Karan Armstrong, Carol Malone, Ingvar Wixell and Wolfgang Brendel. Zar und Zimmermann is a well done repertoire performance.

Hamburg

Staatsoper. The revived production of Eugen Onegin, sung in Russian, is the highlight of the week. The cast stars Bernd Weikl in the title role, Karita Mattila (Tatjana), Daphne Evangelatos (Olga) and Kurt Moll (Furst Gremin). Die Zauberflöte has fine interpretations by Hellen Kwon, Barbara Bonney, Harald Stamm and Kkurt Streit. Der Barbier von Sevilla brings together Cecilia Bartoli, Leo Nucci, Giorgio Tadeo and Jewgenij Nesterenko. Also offered this week, Artus-Sage, choreographed by John Neumeier.

Cologne

Opera. A new production of Faust brings Ferrucio Furlanetto back to Cologne opera in the title role; the cast also includes Ludwig Baumann and Ashley Putnam. Das Gauklermarchen, the first opera composition by Gerhard Konzelmann, received controversial reviews. Ein Sommernachtstraum is steered to triumph by Paul Easwood and Teresa Ringholz, brilliant as leads. Die Italiener in Algier rounds off the week.

Bonn

Opera. Graham Vick's successful production of Don Pasquale is revived with Rolando Panerai, Angela Maria Blasi and Bruno Pratico. Semiramide, the first new production this season, produced by Pier Luigi Pizzi, has an interesting cast led by Cheryl Studer in the title role, Kathleen Kuhlmann and Jean-Philippe Lafont.

Frankfurt

Opera. Il Barbiere d'Siviglia features Alice Baker and Alessandro Corbelli. Tosca has Galina Kalinina outstanding in the title role. Fidelio takes the leads Stephanie Sundine, William Cochran and Wolfgang Probst.

Milan

Teatro Alla Scala. Homage to Strauss: the Munich Bayerische Staatsoper's production of Die Schweigsame Frau, conducted by Wolfgang Sawallisch and directed by Gunther Rennert. The cast includes Birgit Calm, Julia Faulkner, Alfred Kuhn, Kurt Moll and Wolfgang Rauch (Sat and Tues). Also: Daphne, directed by John Cox and designed by Michael Ichernaev (Sun), with Kenneth Garrison, Keiko Kamegawa, Mariana Lipovsek, Alejandro Ramirez and Thomas Woodman; and (Mon) Die Liebe der Danae, directed by Gaincarlo del Monaco and designed by Monika von Sallinger, with Claes Ahnsjo, Sabine Hass, James King, Klaus Konig, Friedrich Lenz and Cornelia Wulkopf. (80.91.26).

Florence

Teatro Comunale. The season begins with Verdi's Simon Boccanegra, conducted by Myung-Whun Chung and directed by Virginio Puecher, with Giorgio Zancanaro in the title role and Maria Chiara as Amelia; the scenery and costumes are based on sketches from the Scala archives of those used for the second version of the opera performed.

Chicago

Lyric Opera (Civic Opera House). Miriam Gauci as Lisa and Frank Lopardo as Elvino in Sandro Sequi's production of La Sonnambula, conducted by Donato Renzetti (322 2244).

Tokyo

Teatro alla Scala, Milan. La Bohème, conducted by Carlos Kleiber, directed by Franco Zeffirelli, with Mirella Freni, Peter Dvorsky, Barbara Daniels, Jonathan Summers. Tokyo Bunka Kaikan (Tues, Thurs). Turandot, conducted by Lorin Maazel, directed by Franco Zeffirelli, with Ghena Dimitrova/Galia Savova in the title role, Nicola Martinucci/Giorgio Casellato Lamberti as Calaf, and Daniela Dessi/Lucia Mazzaria as Liu. NHK Hall (Wed) (725 8888).

Trisha Brown Company from the United States in Set and Reset. Quest Hall (359 9650) (Thurs).

Continued on Page 12

Svein Scharffenberg: leader of the Tchude warriors who terrorise the Lapp settlements in "Pathfinder"

CINEMA

Good and evil slug it out

PATHFINDER (15)
Nils Gaup

THE RUNNING MAN (18)
Paul Michael Glaser

THE DECEIVERS (18)
Nicholas Meyer

POLTERGEIST III (15)
Gary Sherman

STARS AND BARS (15)
Pat O'Connor

JIMMY REARDON (15)
William Richert

A story that has survived a thousand years, handed down by word of mouth, must be worth telling and it seems only fitting that the first ever film to be made by the Lapp community should be inspired by its own mythology. As in all the best traditional stories good and evil are at war in *Pathfinder*, in a world of frozen wastes and impassable mountains where people scratch out a living that is hard enough before the arrival of the Tchudes, a gang of alien nomads who kill and steal to ensure their own survival.

Though the (subtitled) dialogue is sparse, the film has a fluidity and eloquence created by writer/director Nils Gaup and photographer Erling Thurmann-Andersen who capture with enormous power the sense of desolation, freezing cold, and flawless white beauty of mile upon mile of snow bounded by treacherous black mountains. The starkness and purity of the landscape underline the conflict of the film's young hero Aigin (an accomplished debut by Mikkel Gaup) who must run from the invaders who have murdered his family or compromise himself by matching their violence. His only reliable weapon is his superior knowledge of the terrain and, that is what he must use to destroy the Tchudes or, if he fails, expose his people to even more danger.

Aigin could just as easily be an American Indian or an aborigine threatened by setters and in the timelessness and universality of *Pathfinder* lies much of its appeal. Hope for the oppressed is an encouraging theme but it comes as no surprise to learn that cultural disenfranchisement is a reality for the Lapps who, absorbed into Scandinavia, have lost much of their separate identity. Though the stylistic benefits are obvious the decision to shoot the film in 70 mm was made largely to give it the status necessary to attract Norwegian and Swedish audiences who regard Lapps as second-class citizens. Apparently the film's success has done much for the self-esteem of the Lapps who find themselves suddenly fashionable: it remains to be seen whether *Pathfinder*'s simplicity and sincerity will have a lasting effect on human nature.

*

Good and evil slug it out just as overtly but with less conviction in *The Running Man* where we are abruptly propelled into a near future in which America has become a Nineteen Eighty Four-style totalitarian state. Arnold Schwarzenegger plays a policeman who is on the side of authority until he finds himself framed and imprisoned for a crime he had tried to prevent. In a world ruled by the brainwashing power of television he finds himself a victim of the ultimate game show, *The Running Man*, in which, as a convicted criminal he is forced to undertake an overwhelming obstacle course of attack by chain saws, electric currents, razor blades and napalm, all wielded by giants even bigger and stronger than he, for the enjoyment of a huge TV audience. This a theme explored in a different way 20 years ago in Peter Watkins' excellent *Punishment Park*, but here the film's scenario is entirely designed to sustain the violence it perfunctorily deplores.

A splinter group trying to alert the public to the way it is being manipulated manages to swing support from the game show baddies to the intrepid Schwarzenegger. But though the audience's sympathy changes the cry is still the same: "Kill, kill, kill." Which neatly points out why films like this get made.

*

Life is cheap in the India of *The Deceivers* too — an India controlled by the East India Company without any special regard for the needs of the natives. William Savage (Pierce Brosnan), the philanthropic hero, is unpopular enough already for his wild ideas about building schools and encouraging self-help when he stumbles upon the secret cult of Thugee, whose followers were responsible for murdering and robbing hundreds of travellers — a discovery treated with incredulity by his colleagues.

Though *The Deceivers* is a Merchant Ivory production and has many of the values associated with that team — a strong sense of period and location, beautiful costumes and photography, impeccable supporting case (Keith Michell, Saeed Jaffrey, Shashi Kapoor) — the film remains insubstantial. Forced by the disbelief of his compatriots to expose the Thugees single-handed, Savage infiltrates the sect disguised as an Indian constantly at risk of discovery and, inevitably, is forced to commit murder himself. But though director Nicholas Meyer makes the most of the film's many dramatic possibilities he never quite comes to grips with the ambiguity with which Savage begins to regard the cult of murder, and misses the opportunity to transform it from a mere adventure story into something more significant.

*

"It is all done with mirrors" is a phrase that takes on a new meaning in *Poltergeist III* in which tiny heroine Carol Anne (Heather O'Rourke) is dragged by ghostly hands, like some macabre present-day Alice, through the looking-glasses that decorate the hideous high-rise apartment where she is staying with her aunt and uncle (Nancy Allen and Tom Skerritt). Those poltergeists just will not leave her alone and soon the whole family is being hurled back and forth from one world to the next as spirits and exorcists fight it out like a Wimbledon final for control of her destiny.

A rather clumsy message about the power of love seems to have more impact on the family than it will on the audience — but at least it creates a climax that suggests the series is completed.

*

Shaw once summarised Britain and America as two nations divided by a common language, an observation brought to life in the film of William Boyd's novel *Stars and Bars*. His hero Henderson Dores is so crippled by his English upbringing that the fresh start he hoped to find in New York has immediately deteriorated into a mediocre job as an art dealer and an unwanted engagement to the boss's daughter, all wrought by his English reluctance to say what he means and compounded by the American failure to read between the lines of his tact.

When Henderson, accompanied by his fiancee's teenage daughter Bryant (Martha Plimpton), is sent to the Deep South to acquire a Renoir owned by the eccentric Loomis family the misunderstandings and his inability to deal with them degenerate into farce. Not only must he deal with a feud over the ownership of the picture but with the results of his own romantic bunglings which involve two assignations in the same hotel room.

In spite of its promise the enjoyment to be had from Stars and Bars depends far more on how much you appreciate slapstick and heroes who constantly lose their trousers but never get laid than in your finer feelings about Anglo-American cultural differences. Having raised a valid point Boyd wastes his fire on superficial aspects of American life — stereotyped characters, fringe philosophies, the food — and steadfastly ignores the more interesting questions of their politics, insularity and relative lack of tradition. Written by an Englishman and directed by an Irishman, Pat O'Connor, the film has about as much insight into a foreign culture as might be acquired in a three-day tour of the entire continent.

The usually excellent Daniel Day Lewis as Henderson seems so determined to give an impersonation of Dudley Moore that one wonders why Moore was not cast in the first place. Possibly he seemed too predictable, or too expensive, but this piece seems ideally suited to Moore's talents and may have acquired a little warmth from his presence. It may also have allowed Boyd's screenplay to retain the only interesting undercurrent in the novel, the middle-aged Henderson's lust for 15-year-old Bryant, presumably written out because Daniel Day Lewis's own youth would have annihilated any illicit frissons.

*

There is no danger of unconsummated passion in *Jimmy Reardon*, the story of 36 hours in the life of a teenager (River Phoenix) who may or may not be going to college, but is definitely running away from the inevitability of growing to be like his safe, boring parents. His sexual adventures are so joyless that you wonder about his chances of finding a more fulfilling life; Henderson Dores's looks promising by comparison.

Ann Totterdell

The Midsummer Marriage

KING'S THEATRE, GLASGOW

Tim Albery's staging of *The Midsummer Marriage* was first seen at Opera North in 1985, to mark Michael Tippett's 80th birthday; Max Loppert much admired it on this page. It has now transferred to Scottish Opera, where Albery has re-directed it, again with Tom Cairns and Antony McDonald's set and choreography by Ian Spink for the dance company Second Stride, but with a cast that contains only two of the Opera North principals.

The Midsummer Marriage is an opera that baffles and enthrals in equal proportions, and repeated exposure to its mysteries does not diminish either effect. Albery never attempts to boil down the paradoxes or dilute the magic — on the contrary he enhances their potency by rooting them firmly in human experience. Instead of an opera in which unconvincing characters encounter inexplicable happenings, he provides a gallery of real, believable people by no means uniformly likeable — quite the opposite in most cases — and plunges them into a world in which reality is out of joint.

The set too is a dislocated assemblage of asphalt road, manicured lawn and jutting balustrades planted, as the last moments of the opera reveal, in a thoroughly urban and industrial landscape. Its lack of coherent centre provides a visual metaphor to set alongside Tippett's teeming array of symbols.

And as Albery plays out the action round and about the wedding party, ever more unruly, with which the opera begins, his most sharply delineated characters can take hold. Strephon's dancers are a purposeful, anarchic bunch, who act out the rituals of the second act in the clothes earlier discarded by the revellers, and the Ancients are no less mysterious and implacable for pottering around in rough gardening clothes.

This Sosostris too is a wonderful invention, a frumpy, spinsterish woman sheltering beneath a tottering giant puppet, whose vicarious pleasure in sorting others' lives is devastated by King Fisher's denunciation, even if he is the one physically destroyed.

Sosostris is splendidly realised by Penelope Walker, one of the two survivors from the Leeds performances. The other is Patricia O'Neill's pert Bella, gently witty and knowing. She is set against Bonaventura Bottone's Jack, easily, convincingly sung and acted, weak without being spineless, and attractive at the same time.

The American Quade Winter makes his British debut as Mark, and while his tone is perhaps a little unyielding for the part he cuts a strong impression and displays a fine technique.

Paired with Marie Slorach's severe Jenifer they make a formidable couple, their strength of purpose nicely set against the fecklessness of their friends — another example of Albery's careful attention to all the social and personal nuances of the work.

David Marsh and Claire Livingstone are the memorable Ancients, and Neil Howlett's King Fisher is a model of clear diction and by no means a thoroughly blackened character — darkness and light may be the theme of this opera, but there are always many shades of grey between them in this production. John Pryce-Jones conducts the Scottish Opera Orchestra with a good deal of energy and attention to the filigree detail of the score.

The performance wants for sheer weight of tone at times; a larger string section might have helped. But the boundless lyricism and full-throttled ecstasy of Tippett's writing are consistently to the fore and in this production, surely the definitive *Midsummer Marriage* of the 1980s, are given meaning and genuine purpose.

Andrew Clements

Patricia O'Neill and Bonaventura Bottone

I Am Curious, Orange

SADLER'S WELLS

The new Michael Clark extravaganza has already been seen at the Holland and Edinburgh festivals. Now arrived in Rosebery Avenue, it proposes — as publicity has eagerly told us — a commentary upon the tercentenary of William and Mary's accession to the British throne. The Swedish skin-flick title of the piece suggests Mr Clark's irreverent view of events, but what reports about the experience have not thus far indicated is that the evening is of far more interest to hard rock fans than to a dance public.

The key to the show is the presence on stage of Michael Clark's favoured musicians, The Fall. Their music bangs repetitively on, and is amplified to the borders of pain — I urge earplugs on any prospective visitor to Sadler's Wells — but it has an energy and a ferocity which swamp dance activity that wears a distinctly demure air. Where once the need to affront his public, often with rudery, gave earlier Clark shows an edge, albeit a brutish one, the purged and cerebral text of the programme as I saw it last night lacks both vitality and any compensatory force of dance imagination.

Michael Clark's difficulty has been, I surmise, to shape a theme from which to develop dance and theatrical incident. What we see is a sequence of fading asides about Dutch and British history, about Catholic and Protestant, and — very strange — about the worst kinds of trash food (a giant hamburger and a container of Stonehenge-like chips feature in the action).

Of any coherence, beyond the consistency of The Fall's performance, I could detect no trace. Instead, a muddle of comments refracted from the original historical excuse for the show are variously illustrated by quiet and unadventurous dances in Mr Clark's innocent post-Cunningham manner.

There is a chorus of supermimeraries treading Agag-like in the wake of the Clark ensemble, who are agile but rather coarse in style. Michael Clark was performing last night with something less than his usual speed and grace: the dance seemed underpowered, but a bandaged knee may account for this.

For the rest, there was a giant telephone, strobe lighting (not imaginatively used), two large tins of baked beans, and a general air of allusions as substitute for production and choreographic ideas.

I am Curious, Orange has an oddly tentative air, as if in piecing together its diverse elements, Mr Clark lost both the shape and the purpose of what he was seeking. It appears to me a rock concert with illustrations, and may best be seen as a transitional work in its choreographer's progress towards theatrical maturity. Even *enfants terribles* have growing pains.

Clement Crisp

A Touch of Danger

WHITEHALL THEATRE

"By the way, does the name Lloyd Mitchell mean anything to you?"

Well, let me wake myself up. It could be that hapless youth who was probably working for the CIA: (actually he was a CIA man because he went round telling people). Also, when casing a room, he opened drawers from the top downwards so obviously he had not got past chapter one of "How to be a spy in a creaking and doomed thriller."

Or it could have been the chap flashing a pensioner's bus pass and claiming to be from MI5 who had a unique line in walking sticks. They both ended up the same way — incompetently dead on the floor of "Max Telligan's apartment near Sloane Square."

I recognised Max because he's played by that nice actor who used to do the Sch . . . commercials, William Franklyn. His mature charm can usually pack them in at the more sedate provincial theatres, but he needs all his urbanity to get through this sad experience. Franklyn plays it all as if humouring his fellow actors, the author and the audience, hardly raising an eyebrow when arriving home from Zurich to read about his death in the Standard's stop press. The odd shooting, stabbing, slashing, and garrotting that takes place in his booklined study over the next few hours does nothing to disturb his complacency.

It hardly ruffles the audience either. When the first well laid joke failed to get a murmur you realised that it had given up hope after five minutes, being content to settle back and watch the actors mixing themselves drinks. The dialogue consists entirely of explanatory filler; the action is perfunctory; the plot puerile. The only memorable moment is when director Mark Piper has a rush of blood to the head and stages a flashback. Then you realise that this is just an old Paul Temple script which never quite made it in 1950.

It had been pretty obvious from the start that Francis Durbridge done it, and how he managed to drag in Pauline Yates and Virginia Stride, among others, as accessories remains the main mystery of a dire evening.

Antony Thorncroft

Continued from Page 11

MUSIC

London

Beethoven Plus is a series of concerts between September 18 and December 10 which seek to set the composer's music in the context of his own time. The work of over 30 of Beethoven's contemporaries will also be featured. Royal Festival Hall, Queen Elizabeth Hall, Purcell Room. (928 3191).
English Bach Festival Baroque Ensemble, conducted by David Roblou, with Sandra Dugdale and Angela Tunstall (soprano), Sharon Cooper and Claire Primrose (mezzo-soprano), John Rath (bass) and the English Bach Festival Singers and Dancers. Bach, Purcell. St John's Smith Square (Sat, Sun) (222 1061).
National Symphony Orchestra, conducted by Charles Peebles, with John Bingham (piano). Popular classics including Rossini's William Tell Overture, Ravel's Bolero and Rachmaninov's Piano Concerto No.2 in C minor. Barbican Hall (Sat) (638 8891).
London Symphony Orchestra and Chorus, conducted by Rafael Fruhbeck de Burgos, with Benjamin Luxon (baritone). Rimsky-Korsakov, Walton (Sun); Vaughan Williams, Elgar, Walton (Tue). Barbican Hall.
Melvyn Tan, Eric Hoeprich (fortepiano, clarinet). Rossini, Beethoven, Weber. Purcell Room (Mon) (928 3191).
London Soloists Chamber Orghestra, conducted by David Josefowitz, with Evgenia-Maria Popova (violin), Ileana Ruhemann (flute/piccolo), Peter Williams (bassoon). Vivaldi. St John's Smith Square (Tue).
Ambache Chamber Orchestra. Mozart. First concert at the Old Vic Theatre since 1912. (Wed) (928 7616).
David Johnstone (cello), Paul Turner (piano). Beethoven, Ruth Gipps, Dvorak, Tchaikovsky. Lunchtime recital (Thur).

Paris

Nouvel Orchestre Philharmonique, conducted by Yves Prin, with Carlos Roque Alsina (piano). Stravinsky, Levinas, Bon. Radio France, Grand Auditorium (Mon) (42.30.15.16).
I Solisti Veneti, conducted by Claudio Scimone. Albinoni, Vivaldi, Rossini, Paganini. Grand Amphitheatre, la Sorbonne (Bookings at the Mairie du Ve, FNAC stores). (Tue).
Orchestre de Paris, conducted by Daniel Barenboim, with Claudio Arrau (piano). Beethoven, Wolf, Boulez. Salle Pleyel (Wed, Thur) (45.63.88.73).
Festival d'Automne de Paris. Concert version of Karl Heinz Stockhausen's opera Montag aus Licht at the Théatre des Champs Elysées, to be followed by a cycle of chamber music by Stockhausen at the Opéra Comique. (42.96.96.94, 12.00-19.00, except on Sundays).

Amsterdam

Concertgebouw. The Netherlands Philharmonic, conducted by Gilbert Varga, with Karin Lechner, piano. Mozart, Mendelssohn, Schubert (Mon, Tue). Riccardo Chailly, conducting the Concertgebouw Orchestra, with Julia Studebaker (horn). Wagenaar, Hindemith, Bruckner (Wed). (718 345).

Utrecht

Vredenburg. The Netherlands Philharmonic, conducted by Gilbert Varga, with Karin Lechner, piano. Mozart, Mendelssohn, Schubert (Wed, Thur) (31 45 44).

Rotterdam

Doelen. The Hallelujah choral society with the Randstad Orchestra and soloists under Rien Verbeek. Bach, Beethoven, Mendelssohn (Wed) (413 2490).

Vienna

Synthesiser concert with Romayne Wheeler. Tchaikovsky, Handel, Haydn, Wheeler. Votivkirche (Fri, Sat).
Vienna Philharmonic Orchestra, conducted by Leonid Bernstein. Mahler's Sixth. Musikverein (Sat, Sun) (65 81 90).
Leningrad Philharmoniker, conducted by Mariss Jansons, with Sergej Stadler (violin). Verdi, Mendelssohn, Shostakovitch. Konzerthaus (Sat, Sun) (72 12 11).
Wiener Kammerorchester with wind players from the Chamber Orchestra of Europe. Schuljoff, Janacek. Konzerthaus (Tues) (72 12 11).

Berlin

Maurizio Pollini piano recital. Brahms, Schönberg and Beethoven. Philharmonie (Sun).
Chamber Orchestra of Europe with Gidon Kremer (violin) and Yuri Baschmet (viola) under Nikoaus Harnoncourt. Mozart, Schubert. (Sun).

Munich

Orpheus Chamber Orchestra, with Heinz Holliger (oboe) and conducting. Bach, R.Strauss, Carter, Wagner, and Mozart. Philharmonie im Gasteig (Mon).

Frankfurt

Alte Oper. Herman Prey leider recitals with pianist Leonard Hokanson. Schubert. (Sat, Mon, Tues).

New York

New York Philharmonic, conducted by Zubin Mehta. Webern, Schönberg, Schubert. Avery Fisher Hall, Lincoln Center (Mon).
Philadelphia Orchestra, with Riccardo Muti conducting, Viktoria Mullova (violin), Alexandrina Milcheva (mezzo-soprano), Choral Arts Society of Philadelphia directed by Sean Deibler. Shostakovich, Prokofiev. (Carnegie Hall) (Tue) (247 7800).

Washington

National Symphony Orchestra, conducted by Mstislav Rostropovich. Berstein, Haydn, Brahms (Mon). Mozart, Sallinen, Greig (Tue, Wed). All-Tchaikovsky programme (Thur). Kennedy Center Concert Hall (254 3776).

Chicago

Chicago Symphony Orchestra, conducted by Sir Georg Solti, with Rudolf Serkin (piano). Beethoven, Bartok (Wed). Tchaikovsky, Haydn, Bartok (Thur). Orchestra Hall (435 8122).

Tokyo

Moscow Radio Symphony Orchestra, conducted by Vladimir Fedoseev. Moussorgsky, Tchaikovsky, Stravinsky. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon) (780 5400).
André Previn conducts the Los Angeles Philharmonic Orchestra. Brahms, Shostakovich (Mon). Berlioz, Strauss, Shostakovich (Tues). Suntory Hall (407 8248).
Traditional Japanese Music. Tokuyama Takashi (shakuhachi). Casals Hall (Thurs) (294 1229).
La Scala Orchestra, from Milan, conducted by Lorin Maazel. Rossini, Puccini, Verdi. Tokyo Bunka Kaikan (Thurs) (725 8888).

SALEROOM

Looking for a piano

Phillips is unique among the salerooms in selling pianos, and its quarterly sale yesterday produced a total of £118,000 with only three of the ninety odd instruments not finding a new home. The top price was the £28,600 paid for a pretty Steinway of 1908, a grand piano in mahogany with ormolu mounts: the price was below estimate, and just missed the auction record that Phillips was hoping for.

In contrast a 1954 Monington and Weston upright in a mahogany case almost trebled its estimate at £1,980 while a Steinway "boudoir" grand piano of 1911 was comfortably within forecast at £4,400.

Hambros is £40,000 richer today following a sale of its office furniture by Bonhams. The bank is moving from Bishopsgate to Tower Hill and was selling off some of the routine contents from the directors offices, acquired in the early 20th century but now sought after for its comfort and solidity. An oak pedestal desk doubled its estimate at £1,675 and a mock Georgian writing table also far exceeded forecast at £1,320.

Sotheby's at last has a house sale. Its competitors have been busy over the last few months disposing of the contents of a manor here and a cottage there but Sotheby's has missed out on this profitable trend in auctioneering: house sales invariably attract higher prices.

Now, on October 11, it is disposing of the contents of Avishays, a listed 17th century manor house near Chard in Somerset, and expects to make at least £700,000. The highlights include a George III mahogany secretaire bookcase of around 1780 which should realise £18,000 and a pair of early George III mahogany armchairs, also with a top estimate of £18,000. There are some good clocks, including a William and Mary walnut marquetry longcase by John Andrews of London with a £15,000 high forecast.

The latest passion in philatelic circles is painted envelopes, which were popular in late Victorian and Edwardian times. A group of ten sent to the young Prince of Wales, later King Edward VIII, by Major Hugh Rose, an officer in the Black Watch, between 1904 and 1916 come up at Christies on December 7, with estimates for individual envelopes of £1,000.

Antony Thorncroft

هكذا من الأصل

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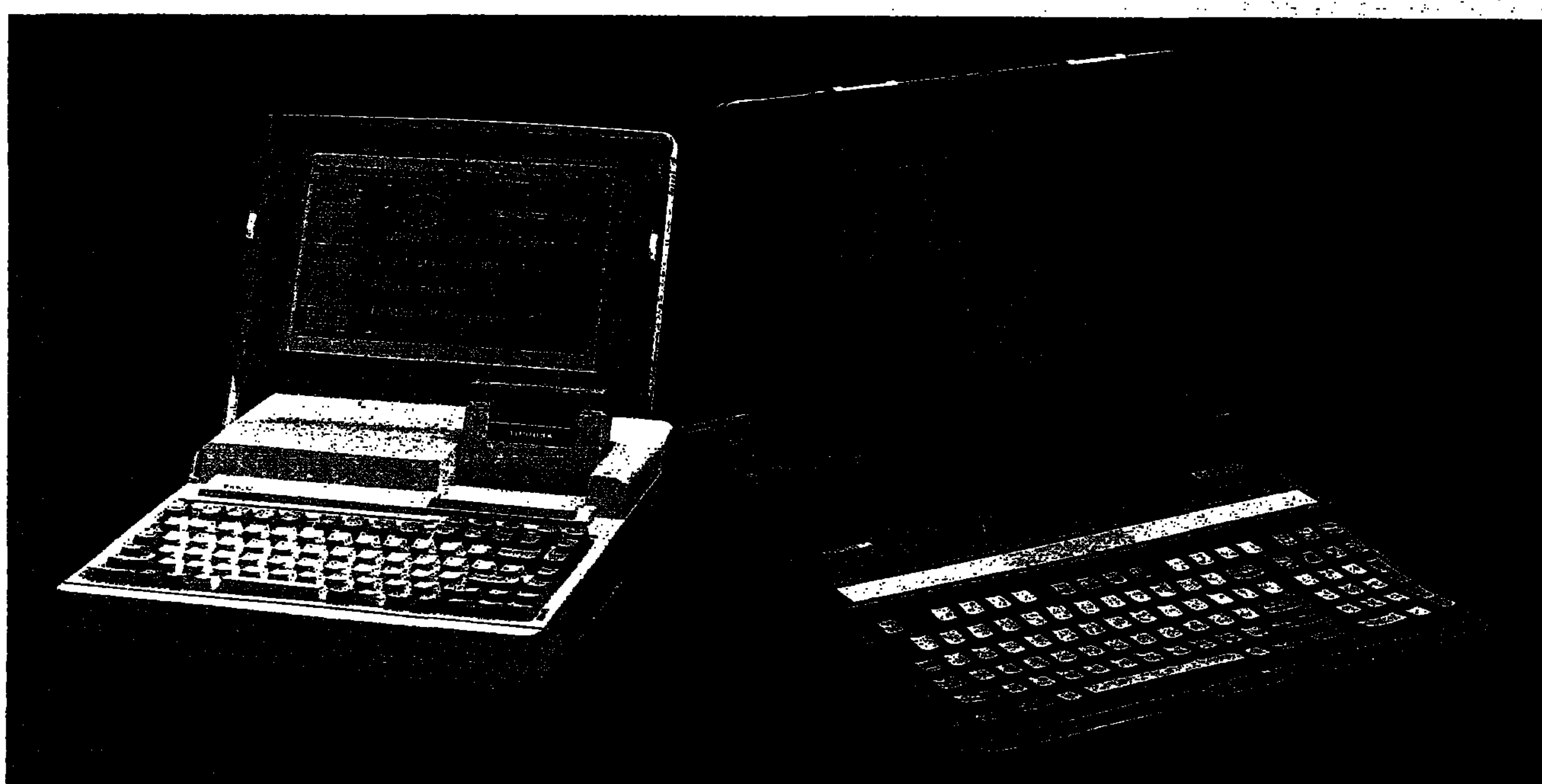

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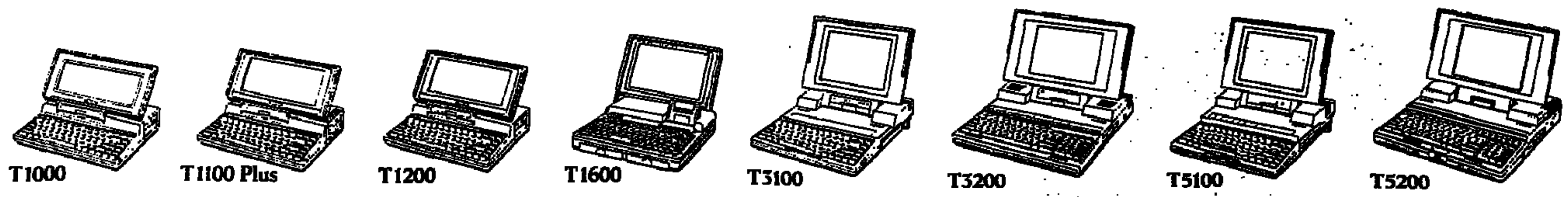

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Wanted: reserves of good officer material

David White examines a UK Government campaign to convince employers and employees of the benefits of military training

Guess whose territory the Territorial Army is after.

"We're after the yuppie," says Tommy Macpherson, with a mischievous twinkle. More precisely, what he is after is yuppies-at-arms. For Macpherson, chairman of Birmid Qualcast and a handful of other companies, is leading a crusade to get up-and-coming executives into the TA and Britain's other reserve forces. He is trying to do so by appealing not only to jingoism but also to self-interest.

His task is to persuade fellow captains of industry that encouraging their management recruits – both men and women – to undergo army training could be as useful to them as an influx of top-quality young officers would be to the Territorial Army.

A £10m promotion campaign, launched this week, is directed both at companies, in the hope that they will look more favourably on the idea of staff spending time with the reserves, and at potential officer recruits, in the hope of persuading them that reserve service could actually be good for their image and their careers.

The television, press and poster advertising campaign, paid for by the Ministry of Defence and spread over four years, aims to boost the reserves' prestige. But the organisers recognise there are a number of barriers to be overcome: family pressures, what peer groups think, what bosses think and, more important still in Macpherson's view, what employees think their bosses think.

"I've hardly found an employer who doesn't say, 'of course, I support the TA,'" he says. "And I've hardly found an employee who *does* think his employer supports the TA."

The hearts-and-minds effort is based on the belief that the experience of army camp and training exercises can be seen to have direct applications in business, especially the early exposure to responsibility. But Macpherson, who is chairman of the National Employers' Liaison Committee for the reserves, insists: "We've got to be credible." Although specific skills are learnt by many Territorials – especially in management of stocks, but also in communications and mechanical transport – weekends tramping through mud are "not a substitute for management training."

The campaign has the backing of major banks and a number of big industrial companies – including, of course, defence companies; incestuous relationships with the forces are of evident value to them. But it is expected to run into rougher terrain with small companies more reluctant to contemplate allowing extra leave.

Graham Day, chairman of the Rover Group, is a former Canadian territorial who sees a "direct read-across" into management. "At a simplistic level, you were given a responsibility and you had to discharge that. Now there are people coming into business without having had any kind of responsibility at all." Since it abandoned national service in the 1950s, Britain is the only major Nato country in Europe without compulsory military service.

Would he be more favourably disposed to hire a reservist? "I'm always interested in people who've done something other than merely go to school," Day says. But membership alone would not be enough to be a recommendation.

Sir Derrick Holden-Brown, chairman of Allied-Lyons, who served with the Royal Naval Volunteer Reserve, is among the prominent industrialists backing the campaign. "Having employees with additional skills and a willingness to produce that extra effort is vital these days."

Macpherson believes that from the rank-and-file upwards, reservists tend to be more disciplined, tidier and better attenders than other employees. He is waiting for statistical confirmation to back up what he terms "anecdotal evidence" that absenteeism rates are in fact lower among reservists, despite the extra demands on their time and post-training-weekend fatigue. He attributes this to a greater sense of responsibility and to physical fitness.

"Responsibilities in the army are usually higher, age for age, than in business," he says, arguing that the qualities the army seeks to develop are increasingly in demand.

"Leadership in the old-fashioned sense has come back into fashion," he says. "Management schools don't teach you that indefinable quality." But supporters are not always unconditional in their enthusiasm. The gains, some say, are not necessarily proportional to the time an employee stays with the TA. And a conflict of interest can arise when a TA man reaches a demanding command position in the force.

Along with the public-awareness TV commercials, the campaign involves a series of employer-targeted advertisements. Letters have been sent out to more than 300 top company chairmen throughout Great Britain (but not Northern Ireland, where companies will not be asked for public backing, since that could make them instant terrorist targets).

Each chairman is requested to declare his support, confirm his company's willingness to release personnel, and to nominate a special staff contact.

"I'm a tremendous believer in me-tooism in business," Macpherson says. He not only plans to publish a list of the companies that say yes, but is threatening in five years' time to publish "a short list" of those that have said no.

The Territorial Army needs to step up recruitment to meet the target set in 1984 of a strength of 86,000 by 1990. With a current level of about 78,000-79,000, including the Home Service Force, created for static guard duties, has run out of steam.

Britain relies heavily on its voluntary reserves, unique among the European allies, to fulfil its Nato commitment. In the event of full mobilisation, the TA would supply between 30 and 40 per cent of British ground forces, and naval and air force reservists also have key roles.

But this is not essentially a recruiting campaign. If Macpherson and his colleagues are out to get managers, it is because the Territorial Army has an internal management problem. The unspoken reality behind the campaign is that the force does not have enough good officers. Low officer quality is one reason it loses as many people as it takes in. The 30 per cent annual turnover rate is considered too high.

The Prime Minister, advised of the turnover problem and the conclusion that the loss of personnel was often in one way or another job-related, asked Macpherson two years ago to head a committee, made up largely of businessmen.

A former athlete and war hero, Macpherson had been London District Colonel in the Territorials. At the same time he had a list of directorships almost as long as his list of military decorations. He says he accepted on condition that a broad range of interests was represented and that its recommendations should be taken seriously.

"I have a feeling that some civil servants were not keen on employer infiltration," he says.

He has been trying to extricate the TA from the Rambo image, the Boy Scout image, and the Dad's Army image. To make training more palatable, he sought to reduce the demands some units were making – in some cases 25 weekends or more a year. "If you concentrate the time, it concentrates the mind wonderfully," he argues.

But there is no getting around the two weeks in training camp. Some companies provide extra paid leave for the full period. In other cases, employees take leave of absence without company pay. Many go half and half, with one week's extra leave and the other week of holiday. The ideal commitment sought is 27 days a year, 15 at camp and the remainder on spread-out weekends, plus one evening a week.

The idea of a statutory requirement for companies to release employees, as there exists in Switzerland or the US, causes noses to wrinkle. "It's not part of the philosophy," says Macpherson, a staunch defender of the idea that voluntary reserves are not only very British, but that they also work.

Computer project management

How a longer time-scale can save on costs

By Alan Cane

The cost of developing new computer systems has become a major preoccupation with senior management as information technology becomes increasingly vital to business strategy.

Executives complain that systems always cost more than estimated and are sometimes delivered too late to be of any practical use. Now the Butler Cox Foundation, the research arm of the London-based consultancy, believes it has found a way to cut costs in information systems development.

When calculating how long it will take for a new computer project to come on stream, the foundation suggests that at least 25 per cent is added to the timescale; it is imperative that the development team sticks to the more relaxed deadline.

The study, which is still in progress, has been carried out as part of the foundation's 18 month-old Productivity Enhancement Programme (PEP), a scheme which brings together commercial and public organisations to examine ways of improving systems productivity through shared research.

The programme has already attracted 68 sponsors in the UK and in continental Europe, including British Gas, Ranks Hovis McDougall and Whitbread. The Butler Cox team has studied 318 projects among the sponsoring companies.

Meeting project deadlines has been the major headache for data processing managers for over a decade now. Statistics show that some computer systems are delivered so late that they are never put into operation because the original requirement has lapsed.

Butler Cox's studies among PEP members show that 46 per cent of projects are delivered late and 48 per cent are delivered over budget.

The conclusion – that substantial savings can be made by taking more time over the project – seems absurdly simple, and indeed, counter to common sense.

It reflects, nevertheless, what Butler Cox believes to be a combination of a relative lack of maturity in management services departments and lack of understanding of systems development among senior managers.

It argues that when projects over-run on time and funding, it is because project managers, anxious to maintain their credibility with management, saddle themselves with unrealistic targets.

And others compound the error. George Cox, managing director of Butler Cox, says that senior executives planning a new commercial initiative leave information systems considerations to the last minute, ignoring the fact that virtually every aspect of a modern business is tied to one computer system or another.

"It takes time to change a computer system," he points out. "The system dictates how fast you can move, yet managers only focus on information technology late in the day."

Philips Colling, business development director at Whitbread and chairman of the UK chapter of the Society for Information Management, broadly agrees with the Butler Cox analysis.

Systems are sometimes delivered too late to be of any practical use

"Time and again over 20 years I have seen impossible project deadlines put forward because of a belief among data processing staff that their clients (the company's senior management) would not buy the realistic figures. It is analogous to the small builder who quotes a price and then says half-way through the work 'Sorry, guv, forgot about the lintels'.

"It is not peculiar to the data processing business. It is common to any industry moving from craft base to engineering disciplines."

Grenville Bingham of Butler Cox says: "Rushing software development is unbelievably expensive. Based on our data, a typical British company could save about £120,000 on an average application project by taking simple steps to control the time pressure, often exerted by users, for very rapid delivery.

"The chief lesson we have learned is that large savings can be made by reducing the pressure, controlling the users and managing impossible aspirations."

Bingham believes the chief value of PEP is its attempt to put software development on a quantitative basis. In this, it is following the work of the US specialist Larry Putnam, who has been collecting data on software development for some 20 years. He is the developer of SLIM, an automated software estimating tool used by the US Defense Department and a number of commercial companies. Putnam has been working with the Butler Cox Foundation on PEP.

An important conclusion from the PEP study is that there is no magic formula for software development, no technique or software tool that can simply be purchased and used to improve productivity. The key to major improvements lies in management, methods and techniques.

It is a multi-faceted problem and it is important to avoid getting any of the facets wrong, Bingham argues. The PEP team concluded that the productivity of European commercial applications is every bit as good as that in the US. In the UK, however, they discovered that developers were being hampered by substantial requirements changes during the project lifecycle. As much as 20 per cent of the specification of an average system was changed while the system was under development.

Butler Cox concludes that the best start a company can make to improving its productivity is to keep and maintain accurate records of software development activities and costs, quoting Allied Dunbar, the UK life assurance group,as an example of an organisation which has made a virtue of measurement.

At best, a company following the lessons of the PEP study could expect to improve information systems productivity by 20 per cent a year. PEP sponsors were, on average, already using 46 per cent less effort for a typical project than other UK companies.

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Action on LDC debt

AFTER successful containment for six years, the "debt crisis" has diminished in the public consciousness of the industrial countries into a mere "debt problem." But such complacency would not be warranted even if the debt problem could be guaranteed to remain short of critical – and there can be little confidence that even this will be achieved.

Satisfactory resolution (not mere containment) of the debt problem remains a vital interest of the industrial countries. There are two key strategic issues. First, mistakes made as long ago as the 1970s and the early 1980s should not continue to cast their shadow on the prospects of heavily indebted developing countries throughout the 1990s. Second, those developing countries that have made adjustments towards fiscally prudent, market-led policies need to be rewarded. On present policies, neither of these strategic objectives will be attained.

As a sensible analysis in this year's Trade and Development Report from Unctad shows, the aggregate debt profile of highly indebted countries has actually worsened since 1982. The ratio of external debt to gross domestic product in the highly-indebted middle income countries has risen to 50 per cent in 1987 from 42 per cent in 1982. The ratio of debt service to exports has also shown no decline, while in 1986-87 no fewer than nine Latin American countries fell behind in interest payments.

Great cost

Worse, this lack of success has been at great domestic cost. Real income per head in the middle income indebted countries in 1987 was 8 per cent below the 1980 level. Indebtedness has, indeed, been a grievous fault and grievously have indebted countries answered it.

Despite substantial adjustment in their external accounts, neither the aggregate creditworthiness nor the growth performance of highly indebted countries has improved. The risk remains that a recession or just significantly higher dollar interest rates (both probable rather than merely possible over the next several years) will bring an increasingly unstable structure down around our ears.

What the aggregates reveal is suggestive, but what they conceal is vital. There have been major differences among countries in their willingness to take the needed steps to deal with their problems. Among the big indebted countries perhaps the most striking policy changes have occurred in Mexico, whose progress in trade liberalisation, in particular, has been truly remarkable. From being one of the world's most protected developing countries, Mexico is now on the way to being among the more liberal.

Lack of reward

The problem is the lack of reward. Between 1980 and 1986 Mexican GDP grew at an average rate of a mere 0.4 per cent a year. Between 1982 and 1986 Mexico transferred resources abroad equivalent to 4 per cent of GDP, these transfers being one and a half times larger in relation to national income than German reparations after the First World War, and there is virtually no end in sight. It can be small wonder that the stability of the Mexican political system is showing the strain.

The danger of relapse is enhanced by the risk of contagion from those who perform worst. Private lenders are forced to provide most relief where the the prospect of debt recovery is least. Those who have made the greatest effort then feel that the benefit accrues largely to their creditors. The debt problem is replete with moral hazards, but this is probably the most serious, for it undermines what should be among the most important objectives: to secure a successful transformation of policy.

There is now an opportunity to do something about these problems, for there is one important respect at least in which the debt problem has improved since 1982: the strengthening of the financial institutions. The key requirements are four. First, there has to be a prospect for a reasonably well-managed indebted developing country to adjust with growth, not with stagnation. Second, commitment of resources (directly or through guarantees) will be required of governments of the industrial countries – better to do this voluntarily now, than involuntarily later. Third, these governments should encourage commercial lenders to see their own interest in rewarding the better performers by voluntary debt reduction now, rather than the worst performers by forced reduction later. Finally, while the poor performers should indeed be kept on a short leash, the better performers should be rewarded by the sort of debt reconstruction (including forgiveness) that will allow planning for continued adjustment and renewed growth. They must receive a reward now, before they conclude that it is only the poor performers who will be rewarded at all.

Partnerships in inner cities

WHAT ROLE should business play in urban regeneration? The Confederation of British Industry (CBI) has no doubt that the key to arresting inner city decline lies in a partnership between local business leaders and public sector agencies. But a CBI task force on urban regeneration also argues, in a report published yesterday, that strong economic activity and a healthy property market are preconditions for achieving wider social and community objectives. It is, then, a chicken and egg problem; and as the authors of the report rightly remark, the problem cannot be overcome in the absence of business confidence.

To put it in rather more concrete terms, a commercial return on an investment in a depressed urban area lies partly in the eye of the beholder. Minor variations in assumptions about rental returns can, for example, dramatically affect the viability of development projects. The penchant of developers and financing institutions for investment in a given city often owes as much to fashion and instinct as to detailed appraisal of the prospects for the local economy. It follows that psychology and perception can be as important as the injection of public money in breaking into a cycle of economic and social decline. Hence the CBI report's emphasis on the need for an agreed "vision" for the future of the city and for the promotion of so-called flagship projects which are aimed at confidence building.

It is an approach that has worked well in parts of the US, which enjoys a number of advantages that are lacking in Britain for managing inner city problems. For a start, city management in the US is less riven with ideology. There is also the very un-British tradition of the executive mayor. In the UK the case for partnership between local authorities and local businesses is overwhelming. But in the present demoralised state of local government, turnover among senior officials is high and financial management is too often in a mess – though there have been notable success stories, for example in Glasgow and Newcastle.

That lack of ideology in the US is also reflected in the financing arrangements of local government, where it is commonplace for state and city pension funds to be required by law to invest a specific percentage of their portfolio in their own back yard. In Britain, by contrast, both bank and equity finance is heavily centralised on London. No doubt clearing banks and the institutional fund managers in London do their best. But it is inevitable that finance, and venture capital in particular, will tend to weigh risk and reward more acutely when locally based. Only the building society movement in Britain is organised on a truly regional basis – which says a great deal about the way the modern British economy works.

The report's call for a wider distribution of venture capital outside the south east is therefore welcome. Its case for more effective planning procedures and other measures to make urban redevelopment easier will undoubtedly receive sympathetic consideration from the Government. But these initiatives will not be fully effective if the Government's own changes to the rating and social security systems are insensitive to regional and inner city problems. To date such sensitivity has been absent.

Stewart Fleming and **Lionel Barber** examine the differences between the US presidential candidates on foreign policy issues

Experience versus change for a testing time

THE US is entering a new era in its relations with the rest of the world in which the foreign policy priorities established by President Ronald Reagan when he took office look increasingly out of date.

Both candidates in this year's presidential election, Vice President George Bush and Governor Michael Dukakis of Massachusetts, are aware of this and the Reagan Administration itself has been adjusting painfully to the new realities. But the made-for-TV images of the campaign have left American voters with little sense of the challenges ahead. The candidates themselves have been unable or unwilling to articulate either the scope of the challenges, or how they would address them.

Mr Bush, as a quasi-incumbent running on the Reagan record of peace through strength, wants to keep the focus on the past. He has no reason to raise doubts about either of the Reagan Administration's twin foreign policy priorities: the huge military build-up and the confrontation of communist expansionism in Third World countries.

Governor Dukakis, the outsider with no foreign policy credentials, is trying to highlight the shortcomings of the Reagan record and in particular to focus voters' attention on the need for change. But his lack of rhetorical skills and experience in foreign affairs, coupled with a failure earlier in the campaign to insulate himself from Republican attacks on defence issues, have left him vulnerable.

The candidates have been unable to articulate the challenges and how they would address them

Pulling no punches – and throwing several low ones – Mr Bush has told Americans that by electing Mr Dukakis they would be gambling on an unknown quantity. He has even raised doubts about Mr Dukakis's patriotism. This strategy has worked far better than Mr Bush's campaign advisers could have imagined. As a result, Mr Bush goes into the first presidential television debate on Sunday night in command of the national security debate and with the political tide running in his favour.

Ironically the success of the Bush campaign's tactics have allowed the Vice President to avoid addressing in any detail how he would tackle challenges which some of his campaign advisers are saying will confront a new President. "The post war era in international relations is coming to an end," says Dr Henry Kissinger. "Such periods of transition have always presented opportunities, but also involve turmoil and struggle."

Many US foreign policy analysts share Dr Kissinger's view that the declining appeal of communist ideology and central economic planning – not only in the Soviet Union and China but also around the world – is a historical turning point which will require a carefully calibrated response from the US.

Just as important, the mood of the American public is in flux. "The current attitude of Americans towards the Soviet Union is different from anything we have seen in 40 years," writes pollster, Mr Daniel Yankelovich, and Professor Richard Smoke of Brown University in the latest issue of Foreign Affairs magazine.

They describe a "new thinking" among Americans on foreign policy. Towards Moscow they detect a mood of "wary readiness," wanting relations to improve, but without the excessive optimism of the Nixon-Brezhnev détente of the early 1970s.

More generally they say: "Worry about whether the United States can compete successfully in the world economy has reached the point where it is perhaps for the first time considered a vital national security issue."

Mr James Baker retired as US Treasury Secretary last month to run the Bush campaign and is likely to be Secretary of State in a Bush Administration. He recently highlighted the increasing importance of the economic aspects of national security.

In a rare on-the-record interview with the Wall Street Journal, Mr Baker said: "The scope of the national security debate has been broadened to include the economic dimension. And I think the reason for that is that the economic domination of the United States, which has long been taken for granted, is, to some extent, now being questioned."

This shift is coming at a time when the US is burdened by huge budget and trade deficits and beset with concern about its long-term competitiveness. Neither man is addressing directly how to resolve the deficits problems which are cramping America's freedom of action around the world, creating tension with its allies, forcing the Pentagon to prepare for an era of drastic cost-cutting and raising doubts about Washington's ability to lead the West.

This has domestic, not just international, political implications which will make the next President's job more difficult. Foreign policy – trade relations and the division of the West's military burden for example – is becoming less the preserve of diplomats and professors and increasingly a pocket book issue.

Of the two candidates, Governor Dukakis, needing to challenge the Reagan record, has been more explicit about the need to rethink America's approach to foreign policy. While backing nuclear deterrence and the modernisation of the nuclear arsenal, underscoring the importance he attaches to the Nato alliance, and endorsing Mr Reagan's arms control policies, he has been critical of what he sees as the Reagan Administration's excessive investment in military hardware.

On military spending he favours a "stable" Pentagon budget and has identified major spending programmes he opposes. These include the Midgetman mobile missile and the rail-based MX missile, plans to expand the number of naval carrier task forces and the expensive "Star Wars" Strategic Defence Initiative (SDI), funding.

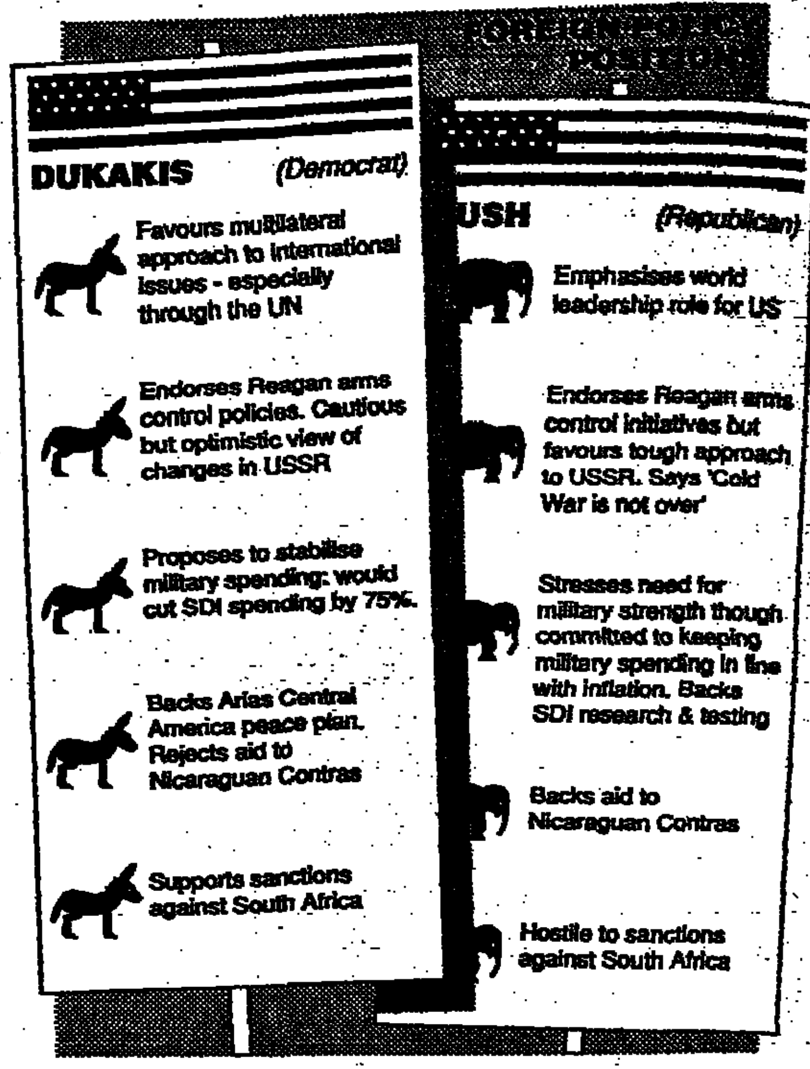
His approach towards the Soviet Union seems to reflect a more optimistic assessment of the prospects for change in Moscow than Mr Bush. This is based, in part, on the view that Moscow's domestic economic problems, rather than, as Mr Bush argues, the US military build-up, brought Moscow to the arms control table.

He is careful, however, not to give Mr Bush new ammunition by appearing too optimistic. "It is a mistake to suggest that everything has changed. Mr Gorbachev has not abandoned Soviet goals but rather seeks to advance those goals through different means."

He has also begun to argue that the US should test Soviet intentions by linking progress on US/Soviet relations to changes in Soviet behaviour in key areas. "If there is to be a fundamental change in the relationship of his country with the Western world there must first be a fundamental change in the balance of forces in central Europe," he has remarked.

The Governor believes that the US can be more influential in the world if it abandons what he sees as the Reagan Administration's penchant for unilateral initiatives such as the invasion of Grenada and the intervention in the Lebanon. He puts more emphasis on working more closely with allies and through multilateral agencies such as the United Nations.

He has no time for the Reagan Administration's "Lone Ranger" approach to confronting communism in the Third World. He backs the regional peace plan in Central America launched by President Oscar Arias of Costa Rica and rejects US military aid to the Contra rebels in Nicaragua. He also calls for the US to take the lead in imposing international sanctions on South Africa to try to force a change in apartheid.



The Reagan Administration has "acted alone when it should have sought support from our regional friends and allies. It has relied on force when it should have used diplomacy. It has tried to manipulate nations when it should have tried to understand them," Mr Dukakis says.

Even though he has consistently maintained that the West needs to strengthen its conventional forces, in combination his foreign policy positions have left Mr Dukakis open to Mr Bush's charges that he is just another idealistic "liberal" Democrat who does not see the need for a strong US military and forceful American leadership.

Unlike Mr Dukakis, Mr Bush does not have to convince voters that there is a need for change

Mr Dukakis last week belatedly began to toughen his rhetoric on the defence issue by, among other things, highlighting some weapons systems he does support. But he has not shaken off the doubts among Americans which Mr Bush has succeeded in arousing.

Mr Bush is evasive about the future but familiar and reassuring in his view of America's role in the world. "When you look at the world as it really is, in the final analysis there is no substitute for us, for the United States of America," he says. Unlike his campaign chairman Mr Baker, he steers clear of the issue of America's economic standing in the world and the relationship of this to national security. And he is even tougher than President Reagan on relations with the Soviet Union arguing that "the Cold War is not over."

Mr Bush's rhetoric is aimed more at boosting his support in the polls than providing an outline of his policies. He has been seeking in particular to retain the support of conservative Democrats who backed Mr Reagan and right-wing Republicans who suspect that the Vice President does not share their anti-communist fervour.

He has carefully left the impression that what he *stands for* above all is continuity. He too has endorsed the Reagan arms control policies. He has implied that the emphasis on military strength will continue in a Bush Administration while ducking the issue of where he will find the $200bn of Pentagon budget cuts which the Congressional Budget Office says will be needed to meet his goal of keeping defence spending from growing faster than inflation.

By running on the Reagan record, Mr Bush has made Mr Dukakis the issue, not foreign policy. So far it has worked: Mr Bush's still unexplained role in the Iran/Contra scandal has died as a campaign issue, so too has the Reagan Administration's relationship with Panama's strongman General Manuel Noriega and the stalemate in the Middle East.

Unlike Mr Dukakis, Mr Bush does not have to convince Americans that there is a need for change or that he understands foreign policy. There are residual doubts about his effectiveness and judgment. But he has a record which is impressive to voters. In addition to his seven years as Vice President, he has served as US Ambassador to the UN and China and as head of the CIA.

Mr Bush also has a team in place which is experienced in government, mainly individuals who are perceived to be pragmatists like himself rather than conservative ideologues. Mr Baker, for example, is a known quantity. He has shown in the international monetary sphere that he wants the US to play a leadership role and to seek co-operation with its allies, usually on his terms. He is not above resorting to strong arm tactics when he feels the need.

In effect Mr Bush is giving Americans the same message he is giving the allies: "Trust me." Unless Mr Dukakis can make a more convincing case for change, the voters may well give Mr Bush the benefit of the doubt on foreign policy – but only at the expense of a clear idea about what that choice really means for the post-Reagan era.

OBSERVER

Agnew gets tough

■ Rudolph Agnew is in a determined mood. Chain smoking Gitanes, and sipping diet Pepsi from a wine glass, the chairman of Consolidated Gold Fields does not hold back his views about the Oppenheimer empire, whose Minorco offshoot made a hostile takeover bid on Wednesday.

He likens it to a medieval court revolving around the throne of Harry Oppenheimer, to whose hands all the strings of power can be ultimately traced. All decisions are made by the executive committee: in his years on the board of Anglo American (the main Oppenheimer company) he'd never been asked to share in a single important decision, he claims. "How any red-livered man can work for *that* lot beats me."

According to Agnew, the concepts put forward by Minorco in its offer are very like those which he himself had proposed during unpublicised and abortive merger talks two years ago – with crucial differences: Minorco says it will sell the group's holding in Gold Fields of South Africa and Newmont of the US. The motive in both cases is political, Agnew believes. The South African government would not stand for a further concentration of power in Oppenheimer hands, while the Americans would not want a major public company to be acquired by a group with South African parentage.

Although Minorco is now sounding snooty about Newmont, Agnew says that Julian Ogilvie Thompson – the Minorco chairman who is on the Gold Fields board – had earlier been all in favour of increased investment in the US company. "His words were: 'bugger the balance sheet'."

Agnew argues that the nature of the mining finance business has changed radically over the past decade, and that Oppenheimer's Anglo American group, unlike Gold Fields, has failed to adapt to the times. The days of the large head office, and the broad spread of interests through a portfolio of associates and minority interests are over. Today's mining house needs to be much more streamlined, investing in exploration in its main mineral businesses rather than in stocks and shares, and developing efficient, low cost mines.

He points to a successful series of discoveries in the US and Australia to prove the point. The new way of doing things is more risky, because it involves a much greater concentration on looking for particular minerals, but it is also potentially more profitable.

All this sounds rather like the strategy of RTZ, a neighbour around the corner in London's St James's Square; and Agnew volunteers that his philosophy is close to that of Derek Birkin, RTZ's chief executive. So could RTZ have a part to play in the current battle? That's up to them, says Agnew. For his part, the only thing that matters is presenting the case for Gold Fields' continued independence.

PM's letter

■ Neville Chamberlain flew to Germany for his famous meetings with Adolf Hitler 50 years ago on scheduled flights by British Airways, a company then largely owned by S Pearson, now the parent company of the Financial Times. A letter found in the Pearson archives reveals that almost immediately on his return from Bad Godesberg he wrote personally to Clive Pearson, the British Airways chairman, to express his appreciation.

The letter, dated 25 September 1938, reads in part: "The flight in each direction was accomplished with an ease and rapidity which I, as an inexperienced air-traveller, had not previously thought possible. I am very grateful for the pains taken by your Company to ensure the speed, safety and comfort of my journeys, and I hope that you will convey my thanks to all those who by their efforts contributed to these ends."

Job for Silva

■ Jesus Silva Herzog, the former Mexican Finance Minister who fell out with his Government over its foreign debt management two years ago, is back on the public stage as the new head of the Latin American Monetary Studies Centre (CEMLA).

CEMLA, based in Mexico City, is the technical secretariat for Latin America's central banks and an economic policy think tank for the region. Its members, who voted unanimously for Silva this week, claim that a man of his calibre could revitalise a flagging institution. "He will probably spearhead a serious study of the debt issue which could eventually lead Latin America to adopting a common position," one Mexican central banker said yesterday.

If Silva had not left the Government, he would have had a strong chance of beating his arch-rival, Carlos Salinas de Gortari, to the Presidency. He remains a political heavyweight who flirted with Cuauhtemoc Cardenas, the left-wing nationalist candidate, during the election campaign.

It was assumed that Salinas would give him a good embassy, such as Washington or Tokyo, to keep him at arm's length. The CEMLA appointment means that an able man of unsatisfied ambition will still be around at home.

Balancing act

■ The Japanese have invented another new English phrase: "expanded equilibrium". The term will be used to gloss over the embarrassing fact that the country's exports are still growing very quickly, and thus the process of external adjustment (another euphemism the Japanese might well have invented) is not proceeding as quickly as the leaders of the Group of Seven hoped. Since imports into Japan are growing even more rapidly than exports, this has led to the hypothesis that exteral adjustment will indeed be realised as the country achieves an expanded equilibrium. Akira Nambara, the director of research at the Bank of Japan, claims authorship of the phrase, which yesterday achieved official status, appearing in the Economic Planning Agency's monthly report to the Cabinet.

Serious note

■ A German professor of philology began his lecture on humour: "A German joke is no laughing matter."

POLITICS TODAY: Joe Rogaly

Without a leader of the pack

Britain's opposition voters will not defeat the Conservatives until they find a leader.

This may seem obvious, but it is also remarkable. For the quality of political leadership matters more in contemporary Britain than it has in times past – as, say, when Attlee defeated Churchill in 1945. Leadership is of greater significance than in the United States where, for example, neither of the two present contenders for the White House seems to be possessed of the character of an Eisenhower or a Kennedy. Judged by the theatrical performance of Mr Ronald Reagan, neither Mr Bush nor Mr Dukakis seems to amount to much as a communicator. The one sets the blood racing at about the same sluggish pace as the other. Thinking Americans will choose according to how many millimetres left or right of centre they wish Washington to be; the larger, unthinking, electorate will be swayed partly by perceptions of immediate economic self-interest and partly by "sound bites" on radio and snippets on TV.

In Britain the characteristics of the individual party leaders are for the moment of considerable importance. All three national opposition parties espouse some form of "social democracy," which in a general sense can be taken as an acceptance of competition and the market as a means of generating wealth, with the dispute being about how to share the fruits. This is broadly true even of the Labour Party under Mr Neil Kinnock. What is missing is a leader with the ability to unite either the parties or a sufficient number of their supporters to stand a chance of victory at the next general election. In the absence of such a concerted opposition, the Conservative Prime Minister, Mrs Margaret Thatcher, will continue to dominate – not only at election-time but also in the day-to-day conduct of government.

The candidate who is widely believed to be possessed of the necessary sense of what a leader should be is Dr David Owen. He showed at the Social Democratic Party conference this week that a great deal can be done with a cardboard stage set, an extended family of ardent admirers, and a nice fat cheque from rich supporters like Mr David Sainsbury, to name but one. Dr Owen is no rousing orator, but he speaks with confidence, and usually without obvious reference to a script. He is devilishly handsome. Radio and TV producers, to say nothing of newspaper writers, are delighted to publicise what he chooses to feed them. He has demonstrated over the years that he will stick to certain fundamental principles, including the maintenance of an independent nuclear deterrent and the pursuit of the "social market economy," at whatever political cost to himself. He specialises in the no-nonsense clarity that is Mrs Thatcher's trademark.

For all these reasons the common judgment is that he is the only one who comes near to the political attractiveness of Mrs Thatcher. This may be true, but attractiveness is not in itself a sufficient quality. Mrs Thatcher, who has redefined the word leader in her own image, has shown throughout her career that she knows how and when to compromise, or even to retreat. Dr Owen has not. She stayed in the Conservative Party and fought to win control over it so that she could govern according to her own ideas. He left the Labour Party, and shied away from cementing the Alliance with the Liberals. In both cases it seemed to him that the odds against bending everyone to his will were too great. It would not have seemed so to her. At his own party's conference in Torquay this week Dr Owen could be seen at one moment sidling around the hall as if inspecting his property and at another sitting on the platform, impatiently writing notes while others applauded a speaker. These were his people. The lovelight was in their eyes. Yet even among them you could wonder whether it would be for him another resigning issue if, one day, they fail to follow his moods. Leadership sometimes requires close political in-fighting. *Dr Owen is not a good man in a scrum.*

Thus the serious British political question of next week is, does Mr Paddy Ashdown have the potential to become a challenger to the Prime Minister? Writing those words suggests a short two-letter answer, but Mr Ashdown should be given the benefit of the doubt. After all, he has yet to make his first major speech as leader of the Social and Liberal Democrats, the new centre party formed from a merger of the Liberals and a majority of the members of the Social Democratic Party. It would be wrong to prejudge him.

All that can be said now is that it

No single, powerful commander of the non-Thatcherite forces is likely to emerge until after the next election

will be a surprise if he does turn out to be the champion that the opposition so badly needs. His face is as finely chiselled as that of Dr Owen, but he does not have the advantage of a ready-made TV image as a lean, tough man of principle and intellect (although he came across well in the SLD party political broadcast this week). I am not aware of a claque of *wealthy Ashdown supporters* like the one that has clung to Dr Owen. Ashdown is politically inexperienced, having entered parliament only five years ago. He has shown both impulsiveness and indecisiveness, not to mention a famous change of mind on the nuclear deterrent. He is, in my view, a swot, a man who will get up early and work long and hard over his papers, seeking to master all the detail. President Jimmy Carter was like that; it left him too little room for developing that intuitive grasp of the essentials of a matter that is perhaps the first item in any list of what qualities make a true leader.

Mr Ashdown also bears upon his shoulders *the very heavy burden of a* disparate party that houses some exceptionally awkward people. Some of his senior parliamentary colleagues have indicated that they are uncomfortable working under his leadership. Some are cavilling at his strategy of seeking to strangle the SDP with his bare hands. Others are sulkily saying that the proposal to use the abbreviation "Democrat" will split the party. The advance papers for the SLDP conference, which opens in Blackpool this weekend, indicate that it may be marred by single-issue fanatics, of the kind that have done so much damage to Labour.

He does have some strengths on which to build. The Democrats can boast an impressive array of local supporters and elected councillors in most parts of the country. This is largely the legacy of the old Liberal Party, but it is enhanced by the more workable SDP constitution, much of which has been adopted by the new united party. The SLDP leader has plenty of raw material to work with.

All of this helps to explain why Mr Ashdown has spent the summer weeks since his election to the leadership in quiet preparation. He has chosen to keep out of the limelight, in an effort to tidy up the party headquarters. His visits have been to party workers, rather than the TV studios. He is a determined man, ready to slog doggedly through a list of tasks of which the first is establishing the identity and distinct purpose of his new party and his own leadership. That identity will be a thoroughly modern mix, containing (a) the notion of citizenship in a market economy, (b) an unadulterated passion for Europeanism and (c) a strong dose of Green politics. He aims therefore to promulgate a vision of a classless, if left of centre, party of the 21st century. He cannot be accused of lack of ambition.

The penalty for all this initial deskwork has been a loss of initiative to Dr Owen. We shall have to wait to see whether there is to be a pay-off of a more lasting kind.

In the following week it will be the turn of Mr Neil Kinnock to re-establish his authority as leader of the Labour Party. This is a far more difficult task than the one faced by either Dr Owen or Mr Ashdown. Seen from a Labour Party perspective, Mr Kinnock has done his best. He is taking charge of a streamlined headquarters operation, improving internal procedures, and trying to force the pace in the "policy review" (which means abandoning many vote-losing left-wing policies). The question that remains, however, is whether the Labour Party can win an election while its finances, its conference votes, and on too many occasions its leaders, remain under the control of the trade unions. The sight of Mr Ron Todd of the Transport and General Workers Union sealing the fate of Mr Roy Hattersley as deputy leader (not to mention Mr Kinnock as leader) earlier this week suggests that victory for Labour may be impossible.

It is for this reason that no single, powerful commander of the non-Thatcherite forces in Britain is likely to emerge until after the next election. Wishful thinkers speak of a hung parliament, in which Messrs Ashdown, Kinnock and Owen, plus some Celtic nationalists, come together to form a government. In those circumstances Mr Kinnock would have the most troops. Realists envisage a fourth Conservative victory, following which the Labour Party either changes character completely or, more likely, suffers a further schism. In that highly probable circumstance the character of political leadership that is available at the time will be of especial importance.

LOMBARD

Sweden's way with workfare

By Robert Taylor

SWEDEN is regarded by the British labour movement as the outstanding success story of democratic Socialism. Last weekend's latest election victory for the ruling Social Democrats provides further evidence of their popular appeal. British union leaders like to contrast what they see as the admirable Swedish approach to industrial training with the bargain basement efforts of the Thatcher Government.

But the widespread admiration for Sweden on the left in Britain often seems to take a rather selective view of what happens in that country. Indeed nobody on the British left appears ready to recognise that Sweden practises, and has done for many years, a coercive workfare system for its unemployed.

It is true that the Swedish welfare state does provide extremely generous levels of benefit for its jobless, up to about 85 per cent of after-tax wages. But then very few of those in the labour market in Sweden ever find themselves in the position of having to claim such a benefit, and when they are, they receive it for only a limited time.

The fact is that Swedes believe passionately in the work ethic and they fail to see why they should subsidise with lavish state benefits those who do not wish to be employed in the labour market. When offered a job or a training place by the state monopoly labour market office, nobody can refuse to take what is on offer without losing entitlement to benefit.

In the early 1980s many Swedish policy-makers were concerned at the growth in youth unemployment. As a result the ruling Social Democrats introduced a programme of youth teams for those 18 and 19-year-olds who were finding it hard to secure a job. The scheme requires them to work an average of four hours a day for five days a week at going rates of pay, but they are also required to spend two hours a week job-seeking under the scrutiny of the labour market service. This is not a voluntary scheme. Compulsion is an integral part of the system and this raises no opposition inside the Swedish labour movement.

Last November Mr Norman Fowler, the UK Employment Secretary, enthused about the Swedish workfare approach when he travelled to Stockholm to see for himself. A recent publication from the radical right's Adam Smith Institute wrote approvingly of the Thatcherite values that it saw behind the Swedish attitude to labour market policy.

But both left and radical right are in danger of failing to appreciate that the Swedish employment strategy must be viewed in a wider context. The workfare approach is acceptable to most Swedes because the Government upholds an official commitment to full employment. All the political parties in Sweden believe in *this*, even if it has meant accepting a higher rate of inflation than exists among some of the country's main competitors. Indeed, training and employment planning lie at the heart of the country's economic strategy.

Enormous public resources continue to be poured into the labour market system. A good indicator of what this means is that the Swedish employment service employs more than twenty times as many general staff and officers per unemployed job-seeker as its counterpart does in Britain. The trade unions co-operate at every level in the administration of the system.

The left in Britain is wrong to condemn the principles of workfare on ideological grounds. There may well be understandable objections to specific aspects of the new employment training scheme, particularly on just how much genuine training will be on offer with a job place, but the Swedish example suggests there is nothing virtuous about upholding the right of people not to work or be trained. Indeed, by giving the impression that the benefit system has a duty to pay people to stay in idleness if they wish to, British union leaders cast doubt on the sincerity of their own commitment to the concept of full employment. Certainly their Swedish colleagues will tell them that the kind of workfare principles which they accept remain an integral part of the employment strategy many on the left in Britain rightly admire so much.

LETTERS

US insider trading

From Mr Leo Herzel.

Sir, In the context of his article, "Putting insiders Inside" (Lombard, September 19), Richard Lambert is misleadingly ambiguous about the state of insider trading enforcement in the US.

His article is about a literalist interpretation by an English court of English insider trading law. When he says "for all the ballyhoo in recent weeks, the US authorities had very little success over the years in bringing prosecutions," he gives the impression that the difficulty has been with unsympathetic and literalist courts.

That is not so. If US courts can be criticised it is because they are too freewheeling, which is one of the reasons why we have so much litigation and so many very large judgments.

In the US, the problems of enforcing insider trading rules are mainly confined to market professionals. Their violations are very difficult to detect, not to prosecute. Golf club tips are, by comparison, a piece of cake to detect. Once violations are detected, prosecutions and civil enforcement proceedings are usually very quick and successful.

The Securities and Exchange Commission's civil complaint against Drexel Burnham provides *an interesting example* of the problems posed by market professionals. A large part of that 184-page complaint is taken up with allegations of schemes to avoid making required filings to disclose beneficial ownership of securities. This is a very important distinction to keep in mind, because the London securities industry is becoming increasingly competitive, and much more like the industry in the US.

The debate that Richard Lambert mentions, over whether insider trading is really good or bad, has had no influence – that I can detect – on US courts. Even the securities industry never tries to justify insider trading. The view that insider trading is really a good thing is limited mainly to a tiny segment of academic economists and lawyers.

Leo Herzel,
Mayer, Brown & Platt,
190 South La Salle Street,
Chicago,
Illinois,
US

Danger for the Third World

From Ms Sheila Page and Mr Christopher Stevens.

Sir, Berkeley Hill (September 21) dispels one myth about EC agricultural policy: that it sustains the poor in Europe. Lord Plumb launches another: that it sustains the poor in the Third World.

Lord Plumb opposes the US agricultural proposals to the General Agreement on Tariffs and Trade (GATT) to end global farm supports by the year 2000 because they "would lead to a massive influx of so-called cheap food imports into developing countries." Coming from an architect of the Common Agricultural Policy (CAP), which has led to an increase of EC agricultural exports by 42 per cent in real terms in the decade to 1985, this sounds contradictory.

Still more strange is his claim that an end to farm supports would "severely damage the indigenous agricultural development of the Third World." The agricultural protectionism of the EC, the US and other Organisation of Economic Co-operation and Development (OECD) states lowers the amount that producers outside the industrial countries can export, and the prices that they receive, thus damaging both their income and their incentive to produce more.

It creates a surplus in the industrial countries which is sold at low prices to developing countries. Although the full effects are complex, general analyses and product studies (most recently by Michael Davenport in a report to be published by the Overseas Development Institute in October) have demonstrated time and again that, on balance, the Third World would benefit from increased growth in the industrial countries if the latter ceased to distort their economies in this way.

The main danger for the Third World from the GATT agricultural negotiations is that, in an attempt to shield their own producers, the EC and the US may shift the burden of adjustment onto those less able to retaliate. Third World exporters of oilseeds and cereal substitutes, such as Thailand, are well aware of the "voluntary" export restraints that this implies.

Sheila Page and Christopher Stevens,
Overseas Development Institute,
Regent's College,
Regent's Park, NW1

Defining company objectives

From Mr David Fifield.

Sir, An acceptable model for company objectives can be distilled from four letters you have published. If we agree that the receiver of the goods is a customer, then in Mr Campbell's model (August 24) there are three stakeholders, not four: the owners, the employees and the customers.

With traded ownership holding the strongest position in the UK compared with Germany and Japan, we should expect a skewing in the model favouring the maximising of shareholders' interests, which then agrees with Mr Taylor (August 1), Mr Turner and Mr Hunt (August 30).

I would add that the skewing leads to short termism in British company policy.

David M. Fifield,
Oaklands,
Weston Underwood,
Olney, Buckinghamshire

Progress towards digital TV

From Dr Brian Evans.

Sir, The Japanese 1125/60 HDTV (high definition television) system is but one example of progress towards digital television, in which picture quality improvement is like a compact disc sound compared with a long playing record.

Digital television can be piped through optical telephone cable into the home, thus giving the benefits of cable television to every telephone household in the UK.

Digital television uses less radio spectrum, thus freeing more channels for cellular telephony.

The digital television standard needs choosing with care. It is surely a job for the state, not an offshore television manufacturer as suggested by Mr Vere (Letters, September 16).

Brian Evans,
19 Cassiobury Park Avenue,
Watford, Hertfordshire

Government has an obligation to upgrade roads into Dover

From Mr P.W. Sherred.

Sir, While you rightly indicate that the Port of Dover is preparing to defend its prosperity (FT Survey on Kent, September 2), no reference was made to the Government's declared intention to ensure fair and free competition *between the fixed link (the Channel Tunnel)* and the port. This entails providing Dover with infrastructure of a standard no less than that provided to the Channel Tunnel.

The Chamber of Commerce has drawn Government attention to the need to upgrade the A2 between Lydden and Dover, so that the A2/M2 corridor maintains its integrity as a principal carrier of traffic for *the cross-channel route.* The Department of Transport has been particularly diffident about agreeing to upgrade this small stretch of the A2. If the Government is to honour its intention to provide fair and free competition between the fixed link and the port it will, in addition to the construction of the A20 into Dover, upgrade the A2 before the Tunnel is operational.

Uniquely, the Calais Chamber of Commerce is also supporting the campaign. An added advantage of dualling both the A2 and A20 into Dover would be the creation of a complete dualled roadway from the M25 to Dover and return using both A2 and A20 corridors.

Dover is not only a transit town/port but a destination in its own right, and an excellent place for future investment.

P.W. Sherred,
Dover Chamber of Commerce,
High Street, Dover, Kent

FINANCIAL TIMES
Friday September 23 1988

China may postpone economic reforms for two years

By Colina MacDougall in London

CHINA may put important economic reform measures on hold for two years, overruling leaders such as Zhao Ziyang, the party general secretary, who are committed to change, the official report on the just-concluded Central Work Conference in Peking has indicated.

The participants at the conference believed that the "improvement of the economic environment and rectification of the economic order means creating the necessary conditions for deepening reform" and that "this will be the focus of reform and construction in the next two years," the Xinhua news agency reported.

This is another way of saying that in the present inflationary climate controversial measures such as price reform have been postponed until autumn 1990.

The Central Work Conference, a gathering of 217 party, government and military leaders from Peking and the provinces, met from September 15 to 21 to prepare proposals for the coming Central Committee meeting. The issues of reform, including the adjustment of wages and prices, were the subject of "extremely heated discussion," according to reliable Hong Kong press reports.

Since policy differences have already been aired, the more public Central Committee meeting now due is likely to present a facade of unity, rubber-stamping the package already prepared.

This package was put to the meeting as a "tentative plan,". Xinhua said, by Yao Yilin, the elderly Vice-premier, currently China's economic supremo and widely known as a conservative.

However, the meeting agreed that "deepening reform" meant not only adjusting wages and prices but reforming other aspects of the economy, which suggests that the important reforms of industrial management and bankruptcy may still go ahead.

All the members of the ruling five-man Politburo Standing Committee, including Zhao Ziyang, the General Secretary, recently under a cloud because of his commitment to reform, spoke at the conference, Xinhua said, a sign of the key nature of the meeting.

The twin issues of reform and inflation have wracked the leadership since the spring when the retail price index began to rise alarmingly, peaking in August at more than 30 per cent on the same month last year. The informal summer meetings at Beidaihe reportedly broke up in dissension over whether price reform should go ahead.

Peking's more cautious leaders, headed by Premier Li Peng and Yao Yilin, appeared to triumph at the end of August when the ruling State Council decided to postpone radical price changes till 1990, and this triumph seems to have been consolidated at the just-ended Central Work Conference.

While Zhao and the bold reformers seek to control the economy by indirect levers, Li Peng and his supporters will turn to administrative fiat. The aridity of this approach was exemplified by a Chinese official visiting Britain this week.

He explained, a propos of China's present aluminium shortage and consequent rocketing price, that "China should have the rule of law. . . we should pass a law forbidding anyone to use aluminium window frames".

Leaders swing back to official control

Colina MacDougall reports that fears of inflation and riot are stunting liberalisation

CHINESE leaders are worried. Inflation is the highest for 40 years, the have-nots – still by far the majority – are frightened and resentful and the old restraints which kept them from exploding are wearing thin. Alarmed by the dangers of riot and mayhem, the leaders are turning from the bold liberalising policies of Zhao Ziyang, the party general secretary, back to the anchor of official control.

Leaders have even had to deny comparisons, now being widely made, between today's shortages and the "three bad years" of 1959-61, when 16m died as a result of mismanagement and harvest failure. The price of food is rising fast and Peking has already admitted that the harvests of this year and next are likely to be below expected levels.

Alarm has been triggered by nationwide reports of bank runs and panic buying. Deposits withdrawn during August in the leading cities of Peking, Shanghai and Tianjin ran into hundreds of millions of yuan within a couple of weeks. Prices rocketed as people rushed to invest their money in televisions or blankets.

Shelves were swept clean of towels, sheets, quilts, fans, washing machines, even enamel bowls and spittoons – anything which could retain value as money dropped. One old man bought seven refrigerators and 150kg of salt. Shop assistants, eager to push up their own bonuses, fuelled the flames.

"Hurry, hurry," they shouted in Shenyang. "Come on, buy quickly, prices are going up."

In Wuhan a run on salt was started when a customer bought medicinal salt, inadvertently launching rumours that this was the only kind around. Overnight the salt price jumped four or five times. One store which usually sold five or six washing machines a day found to its glee that it was selling more than 100.

The demoralising effects of inflation have been aggravated by the unscrupulous exploitation of privilege. Between 60 and 70 per cent of a restaurant's earnings now come from dinners paid for by company funds, the Xinhua news agency reported in August. All over the country officials have been using public funds to build themselves luxurious leisure facilities.

They are lining their own pockets with millions made from using their positions and the "two-track" price system to buy raw materials at the government-fixed price and resell at the free-market price. One consignment of caustic soda was sold six times over to enterprises buying purely for speculative reasons. When it finally reached the end-user, a paper mill, the price had gone up 2.5 times.

In this unsettled atmosphere, crime and violence are on the increase. Qiao Shi, a shadowy figure to the West but one of China's key five-man ruling politbureau standing committee, said revealingly during the summer that the reform was at a crucial juncture and that the leadership should act "in the spirit of meeting any storm head on."

"The situation is grim and problems are numerous," he said, pointing to the rise in "ugly social phenomena." Local officials should improve security work, enforce the law and "be fully prepared to handle all sudden and unexpected cases to ensure stable social order."

Qiao Shi's speech followed a conference on security which included among China's major problems "unrest and riots." Unofficial reports say that strikes – illegal under China's constitution – have been widespread this year.

The leadership has always been concerned about whether the economic reform would lead to popular discontent. Peking played on greed to arouse entrepreneurial spirit, and expectations have risen as Chinese people saw for themselves from the influx of tourists and Western television programmes how comfortably foreigners live. Discipline and respect for authority, once customary, have largely evaporated.

The level of violence in China, overt during the terrible years of the Cultural Revolution but suppressed since, has risen much nearer the surface. A football riot involving more than 1,000 fans occurred in Sichuan province last May when the home side was beaten. More than 130 people were injured, including 60 policemen.

A few weeks ago in Hunan province, after a fight in which a man was stabbed to death, peasants from his home village marched on local party leaders, assaulted policemen and smashed everything they saw.

Recently railway maintenance workers attacked train passengers and conductors with hammers, iron bars and spikes when they were denied a free trip.

In Guangdong province, hundreds of peasants looted coal from a railway yard, smashed up the local police station and stole guns and explosives.

In Guizhou, nearly 200 peasants forcibly stopped a train outside a tunnel and stole over two tons of grain. That was only the latest of more than 40 cases of railway looting.

In June, in a widely-publicised case, about 1,000 farmers near Peking demonstrated against a large petrochemical plant which was threatening to inundate their fields with toxic chemicals. A few weeks earlier, student protest at Peking university over the murder of one of their number quickly spilled over into protests over lack of democracy and freedom of speech.

These trends are causing fierce debate among the leadership. Already split over the wisdom of liberating the economy, fear of the social unrest which could erupt is aggravating the differences. But postponement of reform, and in particular unwillingness to curb official self-indulgence, could be still more disastrous.

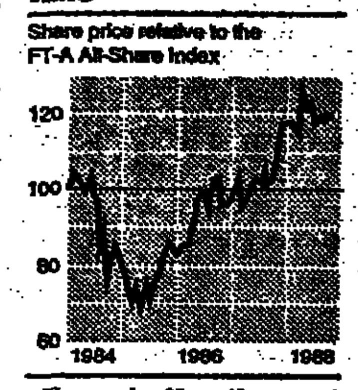
THE LEX COLUMN

A final polish for British Steel

As one might expect from anything designed to get past Westminster, Brussels and the City, the capital reconstruction of British Steel is a delicately veiled compromise. Much is made of the reduction in available tax losses from £1.9bn to £171m; but on top of that are huge but unspecified capital allowances, which look like reducing the effective tax charge to below 25 per cent for the foreseeable future. Again, no debt is to be added to the balance sheet; but the deficit on reserves of £642m has been written off, so that the company can immediately start paying dividends out of current profits.

As the marketing launch for the flotation gets under way next week, further details will start emerging from the haze. The price looks like being adjusted to give a forecast multiple of between 7 and 8, and balance sheet gearing well short of 25 per cent – that being the level above which it is assumed the market would start getting worried. Indeed, the whole deal is shaping up as a fascinating exercise in market psychology. A forecast multiple of under 8 would put British Steel on a par with ICI, which the market persists in regarding as a cyclical stock despite repeated arguments to the contrary. It is not wholly clear what kind of downturn the market is discounting for industry as a whole, but if its worst fears were realised, a commodity supplier to industry like British Steel would presumably be too dear at any price.

RMC
Share price relative to the FT-A All-Share Index



RMC

The combined influence of the gods and Mrs Thatcher have made the first half of 1988 one of the luckiest ever for the UK construction industry; and although RMC was at pains yesterday to stress the fickleness of the former in matters of weather, it is difficult to see the latter causing the company any very serious problems in the near future. But RMC's warning that temperatures can go down as well as up – and that 60 per cent first half growth in pre-tax profits does not imply the same level of growth for the whole year – was enough to trim 2 per cent from the share price.

From a market which is acutely susceptible to negative noises from the construction sector, this was hardly surprising. But in the case of RMC, the debate is really about whether earnings per share will grow by 35 or 40 per cent this year – figures which would not be considered remotely disappointing in any other sector. And even if the government's interest rate policy is indeed about to spoil the housing sector's fun, RMC should suffer less than the rest: only 10 per cent of its ready mixed concrete output goes to the UK housing industry. And with scarcely a cloud over the company's other businesses, a prospective p/e of around 8 looks a bit on the nervous side.

LVMH

Dissent among the dynasties may be hard on the nerves of all concerned; but judging from yesterday's half year results from M"oet Hennessy-Louis Vuitton, it is not too bad for business. While the top management of LVMH has spent months with its eye off the ball, the line management appears to have got on with the task of selling enough booze and baggage to increase net profits by 45 per cent for the first six months.

Probably the boardroom shenanigans of the past few months would eventually have begun to hurt the operational performance of the group; but with luck, investors will not have to test this hypothesis. Yesterday's shareholders' meeting appeared to signal the cessation of hostilities between the LV and MH camps, thanks to the good offices of mediators Agache and Guinness. The betting is that the new triangular shareholding structure of the company will prove more stable than the see-saw arrangement in place before Messrs Bernard Arnault and Anthony Tennant entered the scene; and that must be good for everyone.

Guinness, for its part, must be feeling pleased that it was called in as power-broker along with Agache. The UK company's share stake in LVMH has been financed by LVMH purchases of Guinness stock at well above the market price, allowing Mr Tennant to do his 1992 duty without paying 30 times earnings for the privilege. And while Mr Arnault remains something of an unknown quantity, at least he and Guinness seem to share common ambitions for the moment.

Logica

Since Logica's business has been growing at over 20 per cent a year for a long time and its margins are far better than those of most of its rivals, a prospective multiple of 16½ times earnings is not undeserved. However, the combination of the problems encountered by some of the better known US software companies and the rapid rationalisation of the UK software sector raise doubts about both Logica's long-term independence and its ability to avoid the pitfalls of its industry.

On the last count, the company is reasonably confident that current growth rates and profitability can be maintained. It is very different from the US software companies, like Lotus and MSA, whose fortunes have sometimes rested too heavily on one or two best-selling products. Logica is more like a management consultant, and the spread of its business and the increasing custom of hardware companies like IBM mean that its growth cannot be terminated by the failure of a single product. Whether it will be permitted to achieve its ambition of developing into one of the world's major software houses is less clear. Plessey is not the only UK company to sense that computer software is becoming even more important than hardware manufacture.

Belgian shares

If the London stock market is currently dominated by takeover speculation, this is nothing by comparison with what is happening in Brussels. Europe's ninth biggest market has been driven to all time peaks this year, largely on the basis of takeover rumours. As London could yet discover, this can work both ways; yesterday Tractebel, which is valued at over $1.7bn and in terms of the local market is as important as Glaxo is in London, fell by 22 per cent. All it took was for the two biggest shareholders to deny that they had fallen out about its future.

Thatcher to meet Zimbabwe president

By Michael Holman, Africa Editor

MRS Margaret Thatcher, the British Prime Minister, is due to meet President Robert Mugabe of Zimbabwe next week amid growing speculation that President P. W. Botha of South Africa plans to meet one or more black southern African leaders.

The Prime Minister's talks with Mr Mugabe are expected to review the gathering pace of diplomatic developments in southern Africa, and discuss the possibility of a visit to Zimbabwe by Mrs Thatcher in first half of next year.

The meeting in London will take place against a background of intense diplomatic activity in southern Africa.

State-controlled South African radio; which usually reflects government thinking, said yesterday that a summit meeting with leaders of the black-ruled southern African states was a "distinct possibility." The climate existed for South Africa to meet at the highest level with Zaire, Angola, Zambia and other neighbours, it said.

Mr Mugabe is passing through London on his way back from the UN General Assembly in New York. He has taken the opportunity to see Mrs Thatcher on past stopovers but the meeting takes on a special significance given the range of negotiations under way in southern Africa.

Mr Javier Perez de Cuellar, the UN Secretary-General, is in South Africa, the US-sponsored peace talks on south-western Africa are due to resume in the Congolese capital of Brazzaville on Monday, and there are tentative plans for President Botha to hold talks with President Kenneth Kaunda of Zambia. The South African leader also met President Joaquim Chissano of Mozambique earlier this month.

The London meeting gives Mrs Thatcher the chance to brief Mr Mugabe on the outcome of the 10-day visit to five African states by Sir Geoffrey Howe, UK Foreign Secretary.

IMF warns on rise of dollar

Continued from Page 1

week. But in the face of major demonstrations against the Fund threatened by various coalitions of left-wing groups in West Berlin, he made it clear that he was not prepared for the Fund to be regarded as a "scapegoat" for the problems of developing countries.

The conditions imposed by the Fund on loans to heavily-indebted nations were essential to promote the economic adjustment needed in those countries.

France might consider cuts in N-forces

Continued from Page 1

in progress, he said, and had also taken place between President François Mitterrand and Chancellor Helmut Kohl of West Germany.

Yet paradoxically the conditional offer under consideration in Paris could take the French arms control position closer to that of its allies. Nato is still working on the development of a comprehensive concept of arms control.

A year ago the Nato alliance suggested that it might be prepared to negotiate a cut in short-range nuclear weapons in Europe, but only after the successful conclusion of a conventional arms agreement and the elimination of all chemcial weapons.

The main difference is that France might offer reductions in theatre nuclear weapons during the conventional stability talks; Nato only after their conclusion.

Sharp rise in trade deficit puts pressure on franc, Page 18

Sharp increase in French trade deficit puts pressure on franc

By Paul Betts in Paris and Simon Holberton in London

FRENCH financial markets were yesterday stunned after the Government reported a seasonally adjusted visible trade deficit of FFr9bn for August. The markets had been expecting an August trade deficit of around FFr1.2bn.

Trading in government bonds stopped momentarily after the figures were released and the franc came under selling pressure in foreign exchange markets. The markets had been in a confident mood following this week's budget which forecast a narrowing in the trade deficit and inflation down to 2.2 per cent in 1989.

The franc, which had been trading stably around FFr3.39 to the D-Mark, weakened to FFr3.404/DM prompting speculation that the authorities may have to defend the currency by raising interest rates or by seeking a realignment of exchange rate parities in the European Monetary System.

The latest monthly deficit brings the total visible trade deficit for the first eight months of this year to FFr23.2bn, and casts a large measure of doubt over the prediction made by the French Finance Ministry earlier this week in the 1989 budget statement that the deficit for the year as a whole would be FFr26.5bn.

The worsening of the French visible trade balance is now increasingly worrying the French Government. Indeed, the new Socialist administrationregards the trade deficit and unemployment as the two weak points in an otherwise improved French economic situation.

Mr Pierre Beregovoy, French Finance Minister, voiced the Government's anxieties on the trade front during the presentation of the budget this week.

He said, however, that the deficit would fall to FFr22.4bn next year, against FFr26.5bn this year and FFr31.3bn last year. Analysts now believe it will be virtually impossible for the Government to achieve its budget prediction.

The French authorities are particularly concerned by the deterioration in the country's industrial trade balance and the unsatisfactory international competitiveness of French industrial goods and industry in general.

The industrial goods deficit including military equipment widened last month to FFr8bn after a deficit of FFr4.7bn last July.

The August visible trade figures showed an increase in imports to FFr90.7bn from FFr85.8bn last July, while exports were virtually flat at FFr81.7bn last month compared to FFr 81.8bn the month before.

French left faces electoral test, Page 2

Soviets move on Armenia protest

Continued from Page 1

was despatched from Moscow to govern the region.

Mr Perfilyev said the latest disturbances had broken out after the Soviet authorities began a big investment programme to improve roads and public transport, and provide better Armenian cultural facilities in the enclave.

No curfew was imposed yesterday in Yerevan, but local officials said 100,000 people had gathered in the central Opera Square.

In spite of the huge numbers involved – confirmed by all who have seen the demonstrations – they have hitherto been remarkably well disciplined. However, the situation appears to have passed out of the control of the local Communist Party leadership – which condemned the strikes and warned of "the great danger facing our people" if they did not cease.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	C	22	72	Malta	S	25	77	Rhodes	S	28	82
Algiers	S	28	82	Edinburgh	R	12	54	Manchester	F	14	57	Rio de J'o	F	31	88
Amsterdam	C	16	61	Faro	S	25	77	Manila	F	34	93	Rome	F	28	82
Athens	R	28	82	Florence	S	24	75	Melbourne	C	20	68	Salzburg	S	20	68
Bahrain	F	37	99	Frankfurt	F	15	59	Mexico City	F	26	79	San Francisco	F	19	66
Bangkok	F	34	93	Funchal	C	23	73	Miami	C	29	84	Seoul	F	27	81
Barcelona	F	26	79	Geneva	F	20	68	Milan	S	22	72	Singapore	R	28	82
Beirut	F	31	88	Gibraltar	S	24	75	Montreal	C	18	64	Stockholm	C	17	63
Belfast	F	13	55	Glasgow	C	19	66	Moscow	C	15	59	Strasbourg	S	21	70
Belgrade	F	21	70	Guernsey	C	15	59	Munich	S	19	66	Sydney	S	22	72
Berlin	C	19	66	Helsinki	F	11	52	Nairobi	C	23	73	Taipei	C	28	82
Biarritz	C	19	66	H. Kong	C	27	81	Naples	S	25	77	Tangier	S	23	73
Bombay	D	27	81	Innsbruck	S	20	68	Nassau	F	30	86	Tel Aviv	S	31	88
Bordeaux	C	21	70	Inverness	F	15	59	New Delhi	R	32	89	Tenerife	F	25	77
Brussels	F	20	68	Islamabad	C	28	82	New York	C	25	77	Tokyo	C	23	73
Budapest	F	18	65	Istanbul	F	25	77	Nice	S	22	72	Toronto	C	18	64
B. Aires	C	18	64	Jakarta	C	34	93	Nicosia	F	38	100	Tunis	F	27	81
Cairo	F	38	100	Jersey	C	17	63	Oporto	S	17	63	Valencia	S	26	79
Cape Town	S	21	70	Jo'burg	F	27	81	Oslo	R	16	61	Venice	S	22	72
Caracas	C	26	79	Lima	C	19	66	Paris	C	21	70	Vienna	C	17	63
Casablanca	F	23	73	Lisbon	C	25	77	Peking	S	29	84	Warsaw	C	14	57
Chicago	F	20	68	London	C	17	63	Prague	C	15	59	Washington	S	17	63
Cologne	S	19	66	Los Angeles	F	21	71	Reykjavik	R	05	41	Zurich	S	19	66
Copenhagen	C	18	64	Luxembourg	C	15	59								
Corfu	T	22	72	Madrid	S	25	77								
Dallas	F	23	73	Majorca	F	24	75								
Dublin	C	16	61	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Spectre raised of civil war in Beirut

Continued from Page 1

least 25,000 troops in the country, has nominated a Christian deputy, Mr Michel Daher, for the presidency, with the apparent blessing of the US. But his candidacy has been rejected by the hard-line Lebanese Forces militia on the grounds that he would be unable to resist Syrian pressure and had already agreed to unacceptable political concessions.

Last night, Mr Gemayel was reported to be preparing to announce the formation of a transitional government to which he could transfer his powers. This plan has already been angrily denounced by Syria's mainly Moslem Lebanese allies as the first step towards formal partition of Lebanon.

The interim cabinet was expected to be headed by a Maronite Christian prime minister, Mr Pierre Helou, a businessman and member of parliament. Moslem leaders, encouraged by Syria, were expected to refuse to participate and may respond by setting up their own rival government. By 45-year-old convention, the Lebanese president is a Christian, while the premiership is held by a Sunni Moslem.

In Damascus, the government-controlled press declared yesterday that Syria "would not allow the stooges of Israel" to wreck the achievement of maintaining Lebanon intact. This was a clear reference to the Lebanese Forces leadership, which Syria frequently accuses of taking its orders from Israel.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

A phoenix rises in Utah

More North American mines are coming back from the grave. One prime example of this Lazarus-like phenomenon is the Bingham Canyon copper mine in Utah which needed a $375m modernisation scheme, savage job losses and huge pay cuts before life could be breathed back into the old workings. Kenneth Gooding examines the latest phoenix in the US mining industry. Page 40

Waltzing through Vienna

A change in attitudes by the normally conservative Austrian public has combined with a spurt of new foreign buying to give the Vienna bourse a much-needed lift. The fundamental difference between this and earlier market advances is the new long-term commitment by *many investors*. Judy Dempsey looks at the quickening pace of the Austrian stock market. Page 44

Tables turn on Japanese banks

The tables have been turned on Japan's bankers. *Once wined and dined by industrialists eager for financial backing*, the banks must now chase for every bit of business. A huge surge in corporate profitability - and the subsequent repaying of bank loans - has underpinned this dramatic shift in power. Stefan Wagstyl in Tokyo looks at this far-reaching *change in the Japanese banking community.* Page 24

Sunny side up for RMC

More favourable weather conditions in *Northern Europe* helped RMC, the large maker of ready-mixed concrete, boost pre-tax profits 60 per cent to £86.2m ($143m) in the first half. The thriving UK construction sector underpinned the group's overall improvement. In Spain and France, recent expansion programmes began to bear fruit although the group's US activities produced a lower contribution. Page 25

Profits slump at Filofax

The Filofax, a personal organiser, has become ranked with the names Porsche and Yuppie as symbols of materialistic youth in Mrs Thatcher's Britain. But yesterday the eponymous Filofax company reported a slump in interim pre-tax profits. The end of fad? Not at all, insists the company. Page 25

Walker swoops on Local London

Brent Walker, the British leisure group headed by former boxer George Walker, has announced a steady stream of acquisitions and development plans in recent months. Yesterday it moved back into action again, with a tea-time market raid that took to around 14.9 per cent its stake in property group Local London. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)						
Rises				CGE	346	+ 16
Degussa	372.9	+ 6.1		Schlum.	447	+ 17
Dresdner	287.5	+ 4.5		**Falls**		
Bayer Hypo.	365	+ 5		Cerus	308	− 18
Conti Gummi	256	+ 3.4		Genden Eaux	1420	− 60
NEW YORK ($)				Matra	189	− 8.4
Rises				**TOKYO (Yen)**		
Coleman	39½	+ 3½		**Rises**		
Comsco	9⅞	+ 1		Dynic	1330	+ 130
Zero Corp.	16	+ ⅞		Descente	837	+ 68
Falls				Bnk of Kyoto	1880	+ 120
Am Hoist	9⅞	− 1⅛		**Falls**		
ICH	8⅝	− ⅞		Kyotaro	1650	− 230
Resorts Intl.	29⅜	− 1⅜		NGK Spark	1260	− 100
PARIS (FFr)				Hon Fire Mar.	1080	− 80
Rises						
Thomson CSF	196	+ 9				

New York prices at 12.30.

LONDON (Pence)						
Rises				Charter Cons.	332	− 11
Abbey Life	323	+ 18		Costain	68	− 7
Aitken Hume	78	+ 5		Higgins (J.)	113	− 8
Burmah Oil	525	+ 6		Jaguar	238	− 6
Capital Radio	376	+ 24		Laporte	388	− 7
Crown Comm.	171	+ 16		London & Man.	285	− 7
Local London	535	+ 115		Lucas Inds.	584	− 8
Micro Focus	168	+ 10		Moonlight	146	− 7
Prestwich	140	+ 19		RMC	458	− 9
Refuge	462	+ 12		Stand. Chart.	552	− 14
Reuters B	463	+ 16		Sun Life	975	− 65
Vickers	183	+ 11		Unigate	275	− 8
Falls						

LVMH lifts profits by 44% despite shake-up

By **Paul Betts** in Paris

MOET HENNESSY-Louis Vuitton (LVMH), the leading French champagne, cognac and luxury goods group, yesterday reported a 44.5 per cent increase in first half net profits to FFr634m ($99.5m) – despite the internal wrangling and shake-up in the shareholding structure it has gone through in recent months.

Mr Alain Chevalier, the chairman, announced the impressive first-half performance at a long-awaited special shareholders' meeting called to approve a change in the company's legal structure. The change was to accommodate the arrival of two major new shareholders, Mr Bernard Arnault, the French financier, and Guinness, the British drinks group.

Mr Chevalier, who is expected to be confirmed next week as the chairman of LVMH's new executive board, emphasised that the group's decentralised structure had enabled it to continue to perform strongly despite the turmoil of the last few months.

The meeting yesterday drew to a close a stormy chapter in the history of LVMH, formed last year through a merger of Moet-Hennessy and Louis Vuitton but subsequently troubled by a rift between the Moet-Hennessy camp, led by Mr Chevalier, and the Louis-Vuitton clan, led by Mr Henry Racamier. During the dispute Guinness and Mr Arnault were brought in as large new shareholders and countervailing forces.

Mr Chevalier said that the group expected to report an increase in net profits for the full year of more than 30 per cent, compared to last year's net earnings of FFr1.3bn.

In the first half, group operating earnings increased by 46.7 per cent. Earnings in the group's cognac and spirits operations rose by 75.5 per cent as a result of both strong demand and the joint distribution venture between LVMH and Guinness in this field.

The group's Louis Vuitton luggage, leather goods and accessories business also reported strong profit growth of 68.6 per cent in the first half, while the perfume business saw its profits rise by 22 per cent in the first six months.

Mr Chevalier said that profits in the champagne business had been 12 per cent lower in the first half but were expected to improve during the second half. The drop in champagne profits had been widely expected since they reflect the rise in champagne grape prices in 1984 and 1985.

He reported that in the first eight months of this year the group recorded a 28 per cent *increase in consolidated sales to FFr9.3bn*, compared to the same period of the previous year.

The new structure approved yesterday sets up a management board and a separate supervisory board. The supervisory board, *which was elected at the meeting*, is to meet on Monday to elect its president and the members of the group's new executive board.

The chairman of the executive board will be Mr Chevalier and will include Mr Racamier, Mr Arnault and Mr Anthony Tennant, the chief executive of Guinness, among its six members.

Lex, Page 18; LVMH factions make their peace, Page 20

Coats Viyella is put through the mill


A tale of rags to riches: Mr David Alliance

Alice Rawsthorn examines the declining fortunes of Europe's leading textiles group

The story of Mr David Alliance is an archetypal rags-to-riches tale. It begins in the Britain of the early 1950s when he arrived "with no money and no English" from Iran. He made money, learnt the language and created Coats Viyella, now the biggest textile group in Europe.

Earlier this week the story turned *slightly* sour when Coats announced a fall in pre-tax profits from £81m to £76m, on static sales of £882m ($1.5bn), for the first half of 1988. Coats shares, which have performed poorly since the market crash last October, collapsed.

The announcement marked a watershed in its fortunes. Hitherto one of the most optimistic of British textile groups, Coats is now rationalising home production, in favour of sourcing overseas, like the US and West German textile giants.

When Coats Viyella was created – by the merger of Coats Patons with Vantona Viyella in 1986 – its prospects were rosy. Vantona sold everything from tea towels to trousers, but only in one country, Britain. Coats Patons operated all over the world, but sold only handknitting yarn and sewing thread. The objective was to sell Vantona's products through the Coats Patons' network.

Initially the merger went well. There were remarkably few areas of conflict between the two companies. And Coats Patons had just completed a programme of cuts and closures that so often sour relations after takeovers.

Moreover, the British textile industry was prospering. Consumer spending was buoyant. Sterling had settled at a competitive level. Coats thrived with the rest of the industry.

It soon became clear that the grand international plan would take rather longer than expected. And there was some disquiet at its adventurous accountancy tactics. Yet Coats always managed to meet the City's expectations.

Then in autumn last year British textiles plunged into a more competitive climate when the pound rose on the foreign exchange markets. Imports have since accelerated and exports have become more sluggish.

Coats has remained competitive in some sectors like shirts and home textiles, but has suffered in others. *The strong pound* has depressed overseas earnings. And Coats is a major player in knitwear and handknitting, currently the most competitive areas of textiles.

The most difficult area is knitwear, where Coats fell into a loss in the first half. The knitwear workforce has already been reduced by 600 people and more job losses are inevitable.

The group is also considering shipping knitting machinery out to Turkey, where labour costs are lower. Similarly it may use Turkey as a base to spin acrylic yarn for knitwear.

There have also been savage cuts in handknitting. The world market – which Coats dominates – slipped into decline over two years ago. The Coats business is at a low level of profitability and the company began to rationalise in the UK and West Germany earlier this year. It has since shed labour in Australia and withdrawn from production in West Germany.

In knitwear and handknitting Coats at least has the cold comfort of suffering with the rest of the industry. But it is also struggling in carpets, at a time of buoyant sales when some companies – like Tomkinsons in the UK and Beaulieu of Belgium – have prospered.

Coats encountered short-term problems in the first half when its new sales centre came on stream. It also faces the longer term problem of surplus capacity, despite having already rationalised four tufted carpet plants to two.

The outlook for carpets, after the recent rise in UK interest rates, is far from buoyant. Coats is considering its course of action. The most extreme solution would be to close its factory in Yorkshire, to concentrate tufted production at the Northern Ireland plant, now being modernised in a £13m scheme subsidised by Government grants.

Similarly Coats has suffered in clothing, when its competitors – like Courtaulds and William Baird – have been relatively resilient. Its most difficult area is in children's wear, where it is streamlining its activities.

Clothing is one of the chief candidates for overseas sourcing. Coats expanded its sourcing in Hong Kong earlier this year by buying a sizeable export house and it is keen to establish similar operations in other countries.

The group gleaned 10 per cent of its UK sales from overseas sourcing in the first half. Henceforth its contribution should rise by about 20 per cent a year.

In many ways the present economic problems have precipitated the need for large companies like Coats to reduce their reliance on British production. Imports seem certain to rise. The fall in the number of school leavers will put pressure on labour costs. The investment required to remain competitive in textiles is certain to increase, given that the scope for easy productivity gains has been exhausted.

Overseas sourcing is an obvious solution: but scarcely a panacea. There are problems with quality control, currencies and deliveries.

The cost of restructuring the group will be great. Coats spent £4m in the first half and analysts estimate the eventual cost at as much as £20m.

The company has also paid a high price in lost credibility. Mr Alliance has played an important part in squashing the stock market's doubts about textiles as a cyclical industry prey to economic events beyond its control. Those doubts have now returned – with a vengeance.

BP shelves plans for flotation of gold offshoot

By **Kenneth Gooding**, Mining Correspondent

BRITISH Petroleum yesterday shelved the flotation of its gold producing subsidiary because of the steep fall in the price of the precious metal in the past two weeks.

The group hoped to raise at *least $180m by floating 15 per* cent of BP Gold on the New York Stock Exchange, and the price of the shares was to have been fixed yesterday.

However, the price of gold has fallen nearly $30 a troy ounce *since BP announced its proposals* and started a series of "roadshow" presentations to the investment institutions in the US and Europe.

Gold bullion dipped to $392 an ounce in London shortly after midday *yesterday, its lowest* level for 19 months.

The downward trend was again stimulated by forward selling by gold producers wanting to lock in profits on future production.

Traders said that at one stage this reached panic proportions.

The metal recovered slightly later, to end the day at $397.25 an ounce, $3.75 below the previous close.

BP twice before postponed the *launch of BP Gold: the first time* immediately after the October 19 stock markets crash last year and then again three months later, because the gold price weakened.

The group has never before been *as far down the line*, however, as in its latest attempt to get its gold business floated.

A "red herring" prospectus was issued and the terms indicated that 11.25m BP Gold shares would be sold at between *$16 and $18 each, valuing the* whole company at about $1bn.

The indications are that, although BP Gold found favour with the institutions, many of the potential investors thought the suggested price of $17 a share *was already too high.*

BP has not withdrawn its registration statement from the New York Exchange but neither has it set a new pricing date.

Apparently it is reserving the right to return with the offer if *the price of gold recovers*

However, some analysts suggest that BP's credibility has been badly damaged because the issue has been postponed so often and that, because the group is in no desperate need for the cash, *BP Gold might never* get its quotation.

BP made it clear that the move was not part of its current asset disposal programme to reduce debt but was a typical minerals action to spread some of the risks that *mining involves.*

Government ban on Gold Fields takeover urged

By **Charles Hodgson, Clive Wolman** and **Clay Harris** in London

The Government was yesterday urged by the Labour Party to block the £2.9bn ($4.8bn) hostile takeover bid by Minorco, the Luxembourg-based investment vehicle of the Oppenheimer South African mining empire, for Consolidated Gold Fields, the UK mining and aggregates group.

Mr Bryan Gould, Labour's Trade and Industry spokesman, called on Lord Young, Trade and Industry Secretary, to exercise his powers under the 1975 Industry Act to block the bid on the grounds of public interest.

In a letter to Lord Young, Mr Gould said that while the bid did not appear to raise obvious issues of competition policy, there were "clear implications for the national interest which ought not to be ignored."

In the stock market, Gold Fields shares dropped 55p to 1435p, only 11.5p above the value of Minorco's cash-and-shares offer.

On one hand, this reflected fears that the bid would be *blocked* and that a higher counter-bidder was unlikely to emerge.

On the other, Minorco's advisers said it indicated the market's view that the bid was full and fair.

Mr Gould urged a resolute response from the Government and City authorities to suspicions of insider dealing in Gold Fields shares before the bid was launched on Wednesday.

He welcomed the Stock Exchange inquiry but said that if insider dealing had taken place, the Director of Public Prosecutions should be called in.

Under Part 2 of the Industry Act, the Secretary of State is empowered to block change of control of a major manufacturing company which is regarded as affecting the national interest. It has never been invoked.

Labour believes that the national interest implications of the bid are "very serious." If successful, Mr Gould said, the takeover would double the total of South African investment in the European Community, of which the UK component is by far the *most significant.*

If successful, Labour says, the bid could provide a precedent by which South African interests could evade UN sanctions on arms and oil, to which the UK subscribes, and open the way for *British high-technology goods to* become available to the South African economy through direct investment in UK companies.

Inspectors appointed by the DTI have been investigating a set of share purchases in Gold Fields since *December 1986* and only completed their investigations a few weeks ago.

Their report has yet to be submitted. Originally the inspectors suggested that their work would be completed within no more than a few months.

The inspectors were called in at the request of Gold Fields to investigate the way in which American Barrick Resources, a mining company, built up a 5 per cent stake. Barrick still has a stake of about 1.7 per cent.

See Page 26

Joint statement hits shares in Tractebel

By **Tim Dickson** in Brussels

SOCIETE Generale de Belgique and Groupe Bruxelles Lambert, Belgium's two leading holding companies, moved yesterday to dampen speculation that they have fallen out over Tractebel, the country's leading energy and telecommunications concern where between them they hold a majority shareholding stake.

Trading in Tractebel shares has been the main feature on the Belgian stock market this week with suggestions that GBL (or others on its behalf) has been buying, accounting for a BFr400 surge in its share price to BFr9,900 ($253) on Wednesday on turnover of roughly BFr2.5bn.

Yesterday, however, the shares went into freefall at the opening and ended the day more than 20 *per cent lower at BFr7,670.*

A joint statement from Societe Generale, GBL and Sofina, another smaller Belgian holding company, was widely considered responsible. It stated simply that "taking account of the unfounded rumours which are being made every day" the three companies, "who together hold the majority of the capital of Tractebel, confirm their wish not to see this majority affected."

None of the parties was prepared to elaborate publicly

At the last count it was thought in the market that GBL held more than 20 per cent of Tractebel (half of which was the result of a complex share swap in March) while La Generale and its allies is thought to speak for roughly 30 per cent.

Lex, Page 18

Thrifts bailout 'to be largest in US history'

By Anatole Kaletsky in New York

THE NEXT US Congress would have to appropriate at least $20bn of government money to underwrite a rescue of the country's collapsing savings and loan institutions, Mr William Proxmire, the outgoing chairman of the Senate Banking Committee, said yesterday in an abrasive denunciation of the thrift industry's mismanagement and lax regulation.

Predicting that the "the bail-out to come will be the largest ever in the history of the US," Mr Proxmire noted that the cost to taxpayers of clearing up the chaos in the $1,000bn thrift industry would be "far bigger than the combined cost of assistance given to Chrysler, Lockheed and New York City."

Mr Proxmire's speech attracted wide attention as the most authoritative indication to date of the kind of fiscal and regulatory actions which seem certain to be required if a key part of the US financial system is to be saved from collapse.

In addition to predicting that $20bn of government money would have to be spent on the thrifts, Mr Proxmire said a further $30bn would have to come from healthy institutions in the industry.

He suggested that this was the maximum contribution which could be extracted from the healthy portion of the industry.

His implication was that the Government might have to spend more than $20bn if the total cost of thrift rescues exceeded $50bn, or if the problem was allowed to grow and fester much longer.

Mr Proxmire also laid down regulatory conditions for a successful thrift bailout. He said the Federal Home Loan Bank Board should repay depositors in the most insolvent thrifts directly and liquidate their assets, instead of trying to keep the institutions alive.

The board should end its capital forebearance policy, which has allowed thrifts to continue operating even after their capital was exhausted. All thrifts would be given a maximum of three years to raise capital ratios to 6 per cent or get out of the business, he said.

Mr Proxmire also insisted that federal deposit insurance should be ended for thrifts choosing to operate under state charters which impose more lax regulation than on federally-chartered thrifts.

Mr Proxmire's speech came one day after the US Treasury, which has hitherto played down the significance of the thrift crisis, said it would conduct a new study of the likely costs of rescuing the 500 institutions already insolvent.

Treasury officials said the study would be designed to clear the growing confusion between different estimates of the cost of resolving the thrift problem. These estimates vary between $45bn and $100bn.

Alcan Aluminium speeds construction of smelter

By Robert Gibbens in Montreal

ALCAN Aluminium is again speeding up construction of its Laterriere smelter at Jonquiere, north of Quebec City. The decision was influenced by the continued strength of the world aluminium market.

Work is starting immediately on the third phase, which will cost $214m, 14 months earlier than Alcan had planned. The first and second phases are already well advanced.

The third phase, to increase annual capacity to 50,000 tonnes, is due on stream late in 1990 and will bring total capital spending at Laterriere to $488m. The first and second phases are due to start up late in 1989 and early 1990.

A fourth phase of the project will bring capacity to 200,000 tonnes and take spending to $600m. A decision on the final phase is due shortly.

Laterriere will also have an 80,000-tonne casting centre for sheet ingot, scheduled to start up next summer.

Two Hunt brothers file for bankruptcy

By Janet Bush in New York

TWO OF the three Hunt brothers found guilty by a Federal jury in Manhattan last month of manipulating the silver market in 1979 and 1980 have filed for personal bankruptcy in a Dallas court.

Mr Nelson Bunker Hunt and Mr William Herbert Hunt acknowledged that their primary motivation in filing the petitions under Chapter 11 of the federal bankruptcy code was to defend themselves against claims for damages relating to several lawsuits.

Last month, the two Hunts, along with brother Mr Lamar Hunt and a number of co-defendants, were ordered by the Manhattan court to pay more than $130m in damages to Minpeco, the marketing arm of Peru's state mining industry.

The immediate aim of the bankruptcy filings, made late on Wednesday, is to avoid posting a $225m bond during an appeal against that judgment. The Hunts also face two class action suits, claiming $500m in damages, on behalf of about 17,000 investors identified as being active during the period when the Hunts manipulated the market.

Mr Mark Cymrot, lead trial counsel for Minpeco, said yesterday the Hunt brothers would be able to delay paying damages to Minpeco, but they could not avoid it indefinitely as damages were not dischargeable after a fraud or anti-trust judgment, even after a filing for bankruptcy.

Mr Herbert Deutsch of Deutsch & Frey, the New York law firm which will prosecute the class action suits, said yesterday: "If the Hunts think they can halt these cases, they are dead wrong. They have been jerking around with this case for six years but today, tomorrow, next week, the money is going to be on the table and it is going to be their money."

The class action suits are based on evidence collected in a joint investigation with Minpeco. Mr Deutsch said it was unnecessary to try the Hunts again after the Minpeco award of damages and that his firm had moved for judgment against the Hunts based on last month's court decision.

LVMH factions make their peace

Paul Betts on an armistice at the French luxury products group

AS shareholders, bankers and the company's top brass milled past television cameras and press photographers in the corridors of the Intercontinental Hotel in Paris yesterday, one official of the Moët Hennessy-Louis Vuitton group said with a slightly nervous titter: "This is likely to be the biggest non-event of the year."

A veteran of the Paris business scene remarked with obvious amusement just before the special LVMH shareholders meeting: "The LVMH soap opera seems to be over, but public expectations of new fireworks and other *coups de théâtre*."

But even though nothing unexpected happened at yesterday's meeting, called to approve a profound change in legal and shareholding structures at France's leading champagne, cognac and luxury products group, the occasion had long been regarded as special.

It represented the climax of the sudden crisis which had shaken, during the past months, France's most glittering corporate marriage – between the Moët-Hennessy champagne and cognac group and the Louis Vuitton baggage and luxury products concern.

The meeting appeared to reinforce the armistice between the two camps and consecrated the entry of Mr Bernard Arnault, the youthful chairman of Financière Agache, as the group's new leading shareholder, in partnership with Guinness, the international drinks group.

Mr Arnault will now sit with Mr Anthony Tennant, the chief executive of Guinness, on LVMH's new executive board, alongside Mr Alain Chevalier, chairman, and Mr Henry Racamier, the head of the Vuitton clan.

Mr Chevalier made a point of stressing that LVMH had become, with 12 per cent, the single largest shareholder in Guinness.

And with 32.4 per cent of the shares – increasing to 37 per cent on full dilution – Mr Arnault and Guinness have become the leading shareholders of LVMH.

Their stake is held by Jacques Rober, the company 60 per cent controlled by Mr Arnault and 40 per cent owned by Guinness, which has been the vehicle of Mr Arnault's spectacular entry into LVMH.

Mr Arnault looked pleased and confident on the podium with the other main protagonists of the LVMH saga.

When a shareholder asked what his intentions were, he voiced his support for Mr Chevalier and LVMH's current strategy.

He was speaking just after Mr Chevalier had disclosed the group's impressive first-half performance, with a 44.5 per cent rise in consolidated net earnings and a 28 per cent increase in sales during the first eight months of this year.

Mr Chevalier, clearly wearied by the agitation of the last few months, also emphasised the success of the group's strategy in spite of the turmoil and bourse speculation which has surrounded LVMH this year.

And Mr Racamier, the veteran head of Louis Vuitton who had earlier this year openly criticised some of the strategic directions the group was taking, also claimed at the meeting that a real consensus had been reached between the parties.

Mr Tennant, too, seemed pleased, sipping his glass of champagne after the meeting. He explained that the association between Guinness and Mr Arnault made sense to both sides.

Mr Arnault, he suggested, would clearly benefit from the wide international reputation of Guinness, the group's cash flow, and its experience in the drinks business.

Moreover, the association with Guinness and the added international access were likely to prove valuable in the advent of a single European market in 1992.

In turn, Mr Tennant said, Guinness would benefit from Mr Arnault's knowledge of the luxury and fashion business and his strong standing in the French business community. Guinness was also expected to gain from the association with Mr Arnault in the context of 1992.

In spite of the consensus that reigned yesterday, only the next months will tell whether the group has managed to resolve its management and personality differences.

At the same time, the voice of the ambitious Mr Arnault is likely to start being heard increasingly. Even with the brilliant financial results of his group, the soft-spoken Mr Chevalier will have to continue to perform in coming months a delicate balancing act.

Eastern Air wage cuts rejected

By Our New York Staff

MECHANICS and baggage handlers at Eastern Air Lines, the deeply troubled operating subsidiary of Texas Air, have overwhelmingly rejected contract proposals which would have slashed their wages.

The negative vote, predicted by both parties, took them a step closer to a showdown. The airline said it could only survive if the union matched steep wage reductions accepted by other employees.

The International Association of Machinists and Aerospace Workers said the cuts of up to 56 per cent and the loss of job protection were unacceptable to almost all its 8,700 members.

Eastern said the delayed and lengthy vote had been only a stalling tactic by the union to postpone the moment when a Federal government mediator would declare that the contract negotiations were at an impasse.

Once the mediator does so, he will offer binding arbitration. If either party rejects that, he will call a 30-day cooling off period after which the union would be free to strike and the airline to impose a new contract.

Neither side would say last night whether it would accept arbitration. The union said Eastern was trying to trigger a strike so it could lock out the union while Eastern said it still wanted a negotiated settlement.

PNC Financial to buy Delaware bank

By Our Financial Staff

PNC FINANCIAL, one of the fastest growing US banks, continued along its expansionist road yesterday with the announcement of a deal to acquire Bank of Delaware.

The transaction, worth some $230m or about 13 times the Dealware bank's expected earnings in 1988, involves an exchange of 0.7 PNC share for each Bank of Delaware share. PNC said Bank of Delaware had granted it an option to buy up to 1.6m common shares at 0.7 times the market price of PNC Financial common stock at the close on September 21. PNC closed on Wednesday at $43.125 per share.

Bank of Delaware, which earned $16.5m in 1987, had assets of $1.8bn as of June 30, and PNC $36.6bn.

Colgate sets up board for Europe

By David Buchan in Brussels

COLGATE-PALMOLIVE, the US cosmetics and detergents company, yesterday announced the creation of a new Brussels-based management board to run its $1.8bn a year European businesses "more effectively in the Europe of 1992."

The restructuring represents a change of policy for the household and personal products company, which has traditionally divided its European operations into national vertically-integrated and self-sufficient subsidiaries. Colgate-Palmolive employs 6,000 people in Europe with manufacturing plants in nine countries.

Heading the new European management board will be Mr Brian Bergin. Other board members will be general managers of European subsidiaries.

Brazil eases foreign capital rules for banks

By John Barham in Sao Paulo

BRAZIL HAS created an opening for foreign capital in its highly protected banking system, but few foreign bankers believe it will lead to a rush of new investment.

The Government's National Monetary Council, which legislates on financial matters, hurriedly took the foreign capital decision on the eve of the new constitution's promulgation. The charter is hostile to foreign investments.

The council ruled on Wednesday that foreign banks would now be able to hold up to one-third of the voting stock and half the total capital of local financial institutions.

Foreign bankers applauded the new policy. However, an American investment banker said that although the move was sensible as far as Brazilian and foreign banks were concerned, he was not expecting significant foreign investments in local commercial banks.

He said: "I don't think there will be a stampede to get into commercial banking in Brazil. The banks that want to be players are already here."

For 20 years the Central Bank routinely rejected all requests by foreign investors to set up commercial banks of their own or in partnership with Brazilians. The investors could only buy minority stakes in investment banks.

The Finance Ministry said the new policy was part of a wider reform of the country's financial system that was being funded by a $500m World Bank loan.

The reform will streamline the banking industry by allowing financial conglomerates to form their subsidiaries into a single company.

The Central Bank now requires that a conglomerate's savings and loan companies, consumer finance operations and investment and commercial banking activities must be run as separate companies.

There are 11 foreign commercial banks operating in Brazil, set up before the introduction of investment restrictions.

However, several foreign-owned investment banks have opened their doors this year as debt-to-equity conversions have flourished.

INTERNATIONAL COMPANIES AND FINANCE

Swedish banks boost earnings

By Robert Taylor in Stockholm

PKBANKEN and Götabanken, two of Sweden's leading banks, have reported substantial increases in profits for the first eight months of the year, giving further evidence of the country's booming economy.

PK, Sweden's third-largest commercial bank, increased its operating profits by 26 per cent over the period, to SKr1.42bn ($220m) from SKr1.13bn in the first eight months of 1987. At the same time there has been an 18 per cent increase in the profits of the PK group as a whole to SKr1.94bn.

PK said it was on course to meet its prediction of a full year's operating profits for the banking group of around SKr2.5bn, against SKr2.098bn last year, while the acquisition of Carnegie, Sweden's leading brokerage firm, in the spring meant that PK's total operating profit for 1988 looked likely to be around SKr2.8bn.

At the same time it has been announced that PK now has 90.1 per cent of the shares and votes in Carnegie. When the purchase of Carnegie took place PK acquired 20.9 per cent.

PK has shown a substantial improvement over the period in the size of its interest income, which has risen from SKr2.78bn to SKr3.248bn. However, the bank also reported a rise in credit losses, up from SKr255m for the first eight months of 1987 to SKr344m.

Götabanken, Sweden's fourth-largest commercial bank reported that operating profits for the first eight months of the year rose by 52 per cent to SKr461m.

The Göta group as a whole did even better over the same period with a 56 per cent increase in operating profits from SKr289m to SKr450m.

The bank said the strong upward trend in Götabanken's overall performance meant that its prediction of SKr700m profits for the full year would be met.

The main reason for the strong performance at Götabanken is the huge rise in the level of interest income, up by 30 per cent over the eight months to SKr1.014bn.

By contrast, total costs rose by 18 per cent over the same period to SKr778m. Credit losses declined by 12 per cent to SKr140m.

Good half for Baltica

BALTICA HOLDING, parent company of the Baltic insurance and finance services group, has reported an "extremely satisfactory" first half, writes Hilary Barnes in Copenhagen.

Operating earnings were DKr280m ($23.3m) and capital gains were DKr349m to make a total profit of DKr629m, compared with DKr261m in the same period last year.

A substantially increased operating profit is expected for the full year compared with last year's DKr340m but no further increase is expected in capital gains.

Hafslund plans to split shares

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the diversified Norwegian group, plans a four-for-one share split and also intends to increase its share capital by NKr46.97m ($6.8m) through a one-for-five scrip issue.

The move comes just one week after Norway's Ministry of Industry proposed that foreign ownership of voting shares in industrial companies should be boosted to 33.3 per cent from 20 per cent.

Hafslund is the second largest company, behind Norsk Hydro and ahead of Bergesen, on the Oslo Stock Exchange in terms of market value.

Between September 26 and end-March 1989 Hafslund shareholders will be able to transfer up to 10 per cent of their shares to foreign investors in a move which could represent 8 per cent of the company's share capital.

The stock split will replace one old share with a nominal value of NKr20 with four shares each with a nominal value of NKr5.

The increase in share capital is to be undertaken by transferring funds from Hafslund's reserves without payment by the shareholders. Five new shares will give the right to one new non-voting share.

This new class of non-voting shares (B shares), which can be sold freely to foreigners, is to be established by the transaction. The shares are to be listed separately on the Oslo Stock Exchange by October 18 and will be entitled to a full dividend payment for 1988.

The proposals are to be voted on October 17 during an extraordinary general meeting.

In the first half of 1988 Hafslund's profits increased by 26 per cent to NKr419m.

Hafslund's shares closed at NKr520 yesterday on the Oslo stock exchange.

Case Poclain buoyed by building sector upturn

By Paul Betts in Paris

CASE POCLAIN, the French agricultural and construction equipment manufacturer controlled by Tenneco of the US, confirmed yesterday its recovery by reporting first half net profits of FFr25.1m (US$3.9m) on sales of FFr2.97bn.

The group said its activities were buoyed by the strong recovery in the French building and public works sector while sales of agricultural machinery were higher than original forecasts.

Case Poclain said the results of the latest half were not directly comparable with those of the same period last year. The latest figures take into account the merger of Tenneco's French Case subsidiaries into Poclain.

Moreover, the restructured company has decided to start its fiscal year on December 1 rather than January as in the past.

The FFr25.1m net earnings and the FFr2.97bn sales thus cover the six month period from December 1 to the end of May. By comparison, Poclain under its old structure reported a loss of FFr85.1m on sales of FFr1.49bn for the six months from January to June last year.

The company said a restructuring plan had been launched in the first half of this year designed to reduce 378 jobs between now and the end of next February.

It added that the group had invested FFr228m during the first half as part of its overall restructuring plan.

St-Gobain jumps 49%

By Our Paris Staff

SAINT-GOBAIN, the privatised French glass and pipes group, yesterday reported a 49 per cent increase in first-half net profits, excluding minority interests, to FFr1.75bn ($274m) compared with the first half of last year.

The group said that all its principal sectors performed strongly in the first half. Operating profits rose to FFr4bn from FFr3.6bn in the first half last year.

Overall net income, including minority interests, rose nearly 44 per cent to FFr2.3bn from FFr1.6bn.

Sales fell to FFr29.6bn from FFr38.4bn in the first half of 1987 but the fall reflects the change in the group's structure following Saint-Gobain's decision to shed its interest in the Société Générale d'Entreprise construction group.

On a comparable basis, sales expressed in French francs would have shown a 7.1 per cent increase in the first half.

Cash flow totalled FFr3.4bn covering comfortably a 21.8 per cent increase in industrial investments to FFr2.1bn.

AWA returns to black after programme of restructuring

By Chris Sherwell in Sydney

A PROGRAMME of restructuring has brought a turnaround in fortunes at AWA, the Australian electronics and communications group, which yesterday reported net earnings of A$7.9m (US$6.2m) for the year ended June against a A$9.7m loss in the previous year.

The improvement was achieved on trading turnover of A$532m, a rise of 4.6 per cent, and according to Dr Peter Crawford, the managing director, the group now has a clean balance sheet, no gearing, a strong asset base and substantial cash and borrowing resources.

As a result of capital gains arising from the reconstruction, he and the board have proposed a change to the group's capital structure which would entail a tax-free distribution of 75 cents a share, amounting to a total of A$86m.

This would consist of a cash return of 45 cents a share – achieved through a reduction in the par value of shares from 50 cents to five cents – and a 30 cents a share cash distribution from the share premium reserve.

AWA – formerly known as Amalgamated Wireless (Australasia) – said it had realised or arranged the sale of some A$200m in assets and business units over the past twelve months.

Extraordinary gains of A$59.8m came primarily from the sale of radio stations, while extraordinary costs, associated mainly with the restructuring, amounted to A$49.9m.

Even after the distribution the company would still have substantial cash reserves, a strong cash flow and no borrowings, Dr Crawford said. The group would now concentrate on high technology defence and aerospace, communications systems and networks, information systems and electronic services.

● **Australian Consolidated Minerals**, the mining group, yesterday announced a slight fall in operating profits for the year to June 30 and also unveiled a restructuring proposal intended to establish a major gold subsidiary.

Operating profits slipped from A$21.2m to A$20.1m but ACM said this was a peculiar result of two positive achievements: increased mine profits and higher investment in exploration.

Existing shareholders will receive entitlements to shares in a subsidiary of ACM, ACM Gold, the operating company for all ACM's gold interests, at an issue price of 10 cents a share.

After the restructuring ACM will hold 50.2 per cent of the gold unit.

Japanese banks lose their financial muscle

Stefan Wagstyl on how the growth of companies' profits has given them more clout

DEBT-EQUITY RATIOS OF JAPANESE COMPANIES

	Total debt (Ybn)	Bonds (Ybn)	Stockholders' equity (Ybn)	Total debt + equity (Ybn)	Equity ratio (%)
1978	72061	3084	25182	99125	25.58
1979	75349	3202	27782	104762	26.50
1980	77709	3431	33187	112719	29.42
1981	83031	3325	38339	123073	31.15
1982	91816	3614	42578	135888	31.33
1983	97122	4252	46286	138419	33.43
1984	97420	5257	51755	149175	34.69
1985	99488	6513	58631	158120	36.27
1986	105951	8094	63510	169461	37.48
1987	111128	10107	69321	180446	38.42

Source: Ministry of Finance. Year-end March.

Once, the black limousines which take important Japanese businessmen to important meetings whisked industrialists to the doors of their banks. Today, it is the bankers who have to go calling.

Japanese banks have lost their grip over Japanese industry. The growth of profits has allowed companies to repay their old debts and won for them the right to set the terms when the time comes to raise new money.

By UK and US standards banking relationships remain very close in Japan, not least because banks are collectively the biggest shareholders in Japanese industry, but the balance of power has changed.

The banks are being forced to fight hard in a field where they once held the upper ground. Mr Teruyuki Takahashi, a general manager of the Federation of Bankers' Associations of Japan said: "The banks used to be almighty. Things are different today."

Mr Hiroshi Watanabe, newly-appointed president of Sanwa Bank, put it another way. He said that foreign banks tended to have cut-and dried relationships with their clients but the Japanese tended to have "wet" ones. He was referring to the highly-fluid, often intangible, yet very strong links which tie together a main bank and its most important clients.

However, he added that Japanese relationships are now a lot more clear-cut than before. Plans, made public earlier this month, for a reform of the way banks set lending rates provide an illustration of Mr Watanabe's argument.

Hitherto, commercial banks have pegged their short-term prime rates to the Bank of Japan's official discount rate. As a result, rates have often been below market rates, so corporate borrowers, in return, have had to leave money on account with the bank in the form of compensatory deposits.

The banks now propose to scrap this vague system of mutually-binding obligations and replace it with a clear-cut short-term prime rate pegged to rates in the money market.

The main cause of this loosening of banking relationships lies in the decline of industry's need to borrow. According to the Ministry of Finance, Japanese companies' ratio of debt to total assets fell from 75 per cent to 61 per cent in the 10 financial years to the end of March 1987. The shift is even greater than it seems because borrowings later in the period include a rising proportion of short-term funds raised for investment in financial markets.

Increasing financial strength, fuelled by profits growth, has allowed companies to raise funds in the capital markets more cheaply than by borrowing – often by using the foreign currency markets. Ishikawajimaharima Heavy Industries said: "The interest on Swiss-Franc bonds is one-third the cost of bank borrowing."

Japanese companies, because they enjoy high credit ratings, have been among the biggest beneficiaries of the worldwide spread of securitisation.

Deregulation has greatly extended companies' freedom. Under the highly-centralised credit control system which existed until the late 1970s, commercial banks collected deposits from individuals and then lent money to long-term credit banks, which in turn lent long-term funds to industry.

In the 1980s, Japanese companies have been able to use a wider variety of financial instruments. The decline in bank lending has undermined the traditional notion of the main bank as an industrial company's biggest lender which generally oversees its dealings with other banks as well.

The main bank once combined the role of chief creditor with that of chief financial adviser. Today, relations are more varied. Mr Takahashi said: "The old-fashioned main bank structure is breaking down."

The extreme example is Toyota, the car maker, which has so much cash that it is sometimes called Toyota Bank. It used to borrow from Mitsui Bank and Tokai Bank. Today Toyota says it does not need banks.

The case of Matsushita, the consumer electronics group, is perhaps more typical. It long relied on Sumitomo Bank as its main bank because the bank supported Mr Konosuke Matsushita, the company's founder, in his early years. Now, the cash-rich group deals with several banks separately.

Relationships are changing even in the *keiretsu*, the groups of companies gathered around a bank and held together by webs of cross-shareholdings and commercial links. The four strongest date to before the war – Mitsubishi, Mitsui, Sumitomo and Fuyo, which is based on Fuji Bank.

Since they are no longer required to lend huge amounts of money, the banks are trying to be useful in other ways. Foreign exchange is a key service for many companies, especially exporters. So is treasury management.

However, the most important new field is research. Companies are increasingly placing their business with the banks that can give them the best advice on future moves, including corporate acquisitions. Mergers and acquisitions teams have in the past two years become the fastest-growing departments in many Japanese banks.

Komatsu, the building equipment company, said: "Banks are changing their function. They provide information but we still need close ties in order to make use of their services."

If companies are reassessing their banks, the banks are also looking hard at their clients. One effect of the need to strengthen balance sheets to conform with new international standards for capital adequacy standards has been for banks to find out which customers are their most profitable.

The answer is largely those companies for which the bank acts as a main bank. Other customers tend to take their best business elsewhere – to their own main bank. Mr Resse Harasawa, a corporate planner at Mitsubishi Bank, said there was less desire to be the second, third or fourth-ranked bank to a company.

For some banks, the new emphasis on corporate information services has actually strengthened contacts with clients. For example, in the early 1980s it looked as if Industrial Bank of Japan (IBJ), the leading long-term credit bank and first-ranked in status among Japanese commercial banks, might find itself with little to do as companies no longer needed long-term funds. However, IBJ has evolved into one of the most popular corporate advisers.

Any discussion of change in Japanese business relationships is incomplete without mention of the limits of change. The appearance of IBJ, the past-master of corporate lending, at the top of the pile in mergers and acquisitions activity shows that old loyalties die very hard.

The shift in the balance of power has been achieved mostly without fuss among the partners – there have been no public arguments.

Companies have not been sacking one set of main bankers and appointing others. The difficulties foreign bankers have had in winning mainstream corporate business in Japan is compelling evidence of the value placed on long-standing banking relationships.

Japanese banks continue to hold shares in their customers. Industrial companies also hold bank shares – but the holdings are generally much smaller.

Toshiba, the electronics group, regards its banks' role as shareholders as important as their role as sources of finance and information.

Moreover, the bank-led groupings survive, even if they are more loosely-controlled than before. When companies run into trouble it is still the main bank's job to mount a rescue – as happened in the last two years with Akai, the consumer electronics group, which has been supported by Mitsubishi Bank, its main bank. In the time-honoured way, Mitsubishi transferred funds and staff and increased its shareholding in Akai.

Mitsubishi Bank's Mr Harasawa said that banks were still "lenders of last resort" but he added: "Banks used to endure bad times in the hope of better deals later. That idea is changing now."

Mandarin Oriental lifts profits

By Michael Marray in Hong Kong

MANDARIN Oriental International, the Hong Kong-based hotel group within the Jardine Matheson stable, yesterday reported a 30 per cent increase in profits after tax and minorities to HK$145.1m (US$18.6m) for the six months ended June 30.

Extraordinary items of HK$48.2m, resulting from the international placement of shares in The Oriental Bangkok boosted attributable profits to HK$193.2m.

An interim dividend of 8 cents per share has been declared.

Mr Peter Tyrie, joint managing director of the Mandarin Oriental Hotels operating company, said that the performance of the group's hotel in Singapore, where there has been a severe oversupply problem, had improved considerably this year.

The Mandarin Oriental Hong Kong was doing well and both room rates and occupancy levels in The Oriental Bangkok were ahead of expectations, he added. The group holds a 45 per cent stake in The Oriental Bangkok, which was listed in Thailand earlier this year.

Mr Tyrie estimated that overseas profits now accounted for more than 20 per cent of total group profits.

Mandarin Oriental was hived off from the Hongkong Land group in the middle of 1987 but has so far found it difficult to fulfil its stated ambition of expanding into gateway cities in Europe and North America.

In April, the group raised HK$254m by a placement to Jardine Strategic Holdings, which increased its stake in Mandarin Oriental from 35 to 41 per cent.

CFR unveils issue terms

COMPAGNIE Financière Richemont (CFR), a holding company for the international investments of South Africa's Rembrandt Group, has announced terms for its share issue, AP-DJ reports from Zurich.

Mr Johann Rupert, managing director, said 52,000 bearer shares at SFr5,100 apiece would be made available in an initial offering which opens today.

Each share will be twinned with one bearer participation certificate in Richemont, a wholly-owned Luxembourg subsidiary which CFR has acquired from Rembrandt.

CFR said that the new entity was "now fully independent in both legal and operational terms."

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

World Bank sets up Swiss issue schedule

By Our Euromarkets Staff

THE WORLD BANK has established a programme under which it can make unlimited short-term borrowings in Swiss francs, the agency's first diversification out of dollars in that maturity.

Because the borrowings will be in book-entry form, no securities will be issued to investors, thus avoiding Swiss stamp duty. Stamp duty, which is 0.2 or 0.3 per cent, has hindered the development of a market in short-term securities such as commercial paper in Switzerland.

The format is similar to that used by the Swiss Government for its own issues of short-term securities, which resemble non-bank fiduciary deposits.

The programme, to be offered through Swiss Bank Corporation (SBC), will be known as "Cops" — continuously offered payment rights in Swiss francs — and will allow for borrowings of one, two, three and six months maturity. Other maturities of up to one year will be made available to investors in certain circumstances.

They will be offered in denominations of SFr100,000. Because they are issued by a non-resident institution, Cops will also be free of withholding tax.

So far, the World Bank is only the second institution to use the book-entry format to borrow short-term funds in Switzerland. In March, Unilever, the Anglo-Dutch foods and detergent group, launched the prototype for Cops.

SBC said there will be no secondary market in Cops, although it will use its "commercially reasonable" efforts to identify new buyers. Still, officials at SBC said that the absence of liquidity should not be as great a deterrent in creating demand for the securities because of their very short-term nature. The lack of liquidity in medium-term note facilities, for instance, has limited the appeal of those securities to investors.

The World Bank said that Cops will complement its existing borrowings in Swiss francs, which currently total SFr17.5bn before swaps.

Amex Bank seeks fresh efforts on debt crisis

By William Dullforce in Geneva

THE INDUSTRIAL countries in the Organisation for Economic Co-operation and Development should make another concerted effort to solve the international debt crisis, Mr Robert Smith, chairman and chief executive of American Express Bank (AEB), said yesterday.

Such a programme would require leadership from Washington. This was unlikely to emerge during the presidential election, but at some stage the new US administration had to get the debt problem settled, Mr Smith urged.

Several developing countries could not service their current debts. The debt had to be cut, but the onus could not be put on the commercial banks alone.

The AEB chairman was responding to recent calls for debt cancellation, including one for a 30 per cent write-off of commercial bank debt from the United Nations Conference on Trade and Development.

Commercial banks could not go on lending to developing countries — as they were expected to do under the debt plan launched by Mr James Baker, the US Treasury Secretary, three years ago.

They could provide self-liquidating finance but the international agencies would have to come up with the long-term funding.

AEB has reduced its Third World debt from $2.5bn to $1.1bn, of which $300m is short-term and is still being serviced. It has sold $350m of debt at an average of 50 cents on the dollar and has swapped debt for equity in Latin America to the tune of $250m.

Now, however, it has put a cap on debt-equity swaps at 10 per cent of its portfolio. AEB intends to run down the rest of its Third World debt "in an orderly fashion" over the next two years.

Bell South Capital launches $120m straight

By Dominique Jackson

THE SUCCESS of a new five-year $120m bond launched yesterday for a unit of Bell South, the US communications group, neatly illustrated that it is still possible to issue a correctly pitched dollar straight on to a market regarded by many as congested.

A single issue each in Australian and Canadian dollars and in Euromarks provided the only other highlights of the primary markets. Secondary markets were generally quiet with dealers citing the meetings of the International Monetary Fund, World Bank and the Group of Seven industrialised countries as a subduing factor.

Morgan Stanley International was the lead manager on the deal for Bell South Capital Funding Corporation, the financing arm for the company's non-regulated subsidiaries, mainly those engaged in the development of cellular communications and in overseas consultancy to international telecommunications companies. There is a support agreement between the parent company and the borrower. Existing domestic borrowings and medium-term notes have a triple-A rating from Standard & Poor's.

The lead manager said the borrower is ranked in the top 10 US companies by market capitalisation, alongside other familiar Euromarket names such as IBM and General Motors, and is the only one of these which has not previously tapped the Eurobond market.

The issue carried a 9¼ per cent coupon and was priced at 101⅛ which offered a yield margin at launch of 48 basis points on a semi-annual basis. This was considered attractive and should ensure a fair degree of enthusiasm for any subsequent issues.

Initial demand was brisk and the issue was bid at a discount of 1.30, slipping later to 1.35, a level still comfortably within its total fees.

Tuesday's $100m deal for Lincoln National via CSFB was also cited as a well-pitched deal and saw continued good interest, bid at a discount of 1.30.

The timing of yesterday's A$40m three-year issue for the Australian Trade Commission took the market aback. Merrill Lynch was the lead manager on the issue which carried a 13⅝ per cent coupon and was priced at 101⅛, for a spread of around 80 basis points over comparable Australian government bonds.

This is Austrade's third Eurobond market offering; the previous two were led by ANZ. The borrower has been considering this third issue for some time and a number of houses were said to have bid for the mandate on the deal which carries a Commonwealth of Australia guarantee.

However, the first two issues were not well-received and it was felt the latest deal would not do much to improve the borrower's profile.

The choice of Merrill Lynch, not a house renowned for its Australian dollar placement capabilities, as lead manager, was attributed to the ingenuity of the swap package, underlining the ever-growing importance of behind-the-scenes financial engineering to the primary Eurobond market.

INTERNATIONAL BONDS

Sector specialists also looked askance at the timing of the issue as the secondary Australian dollar markets have not performed well of late, while the usually steady Continental retail demand for the currency has been diverted to the Canadian dollar sector which is enjoying a return to popularity on the back of the US dollar sector's current buoyancy. However, the borrower apparently had pressing requirements to raise this amount of medium-term funds.

The Canadian dollar was apparently one option considered by the borrower but subsequently turned down. The lead manager said that the Australian dollar sector was considered more appropriate for the relatively small issue amount. However, other sector specialists pointed out that the sector is now far more mature and that such small issues are becoming increasingly difficult to market.

Nevertheless, the co-lead group on the issue comprises three European banks, all well-known for their developed retail network. The issue ended the day locked at a bid of less 1¾ equal to its total fees.

Bank of Montreal Capital Markets led a C$75m two-year issue for the Singapore branch of its parent bank. The issue carries a coupon of 10¼ per cent and is priced at 101¼. Demand from Europe was reported to be steady and the deal finished the day bid at a discount equal to its total fees.

WestLB was the lead manager on a DM150m for Asfinag, the Austrian state motorway financing body. The 10-year issue carries a 6 per cent coupon and is priced at par. The bond found favour with institutional investors, largely due to its state guarantee and it was trading within its fees. Some switching out of seasoned Austria issues was detected to take advantage of the yield pick-up.

Seasoned West German government bonds saw small net gains in fairly active trading, buoyed by the firmer tone to the Treasury market although the stronger dollar limited rises.

In the Euromark sector, retail investors were seen regaining their interest and several older, high yielding issues rose. The most recent 6¾ per cent federal government bond was fixed 15 basis points higher at 101.3.

Credit Suisse led a SFr100m six-year convertible issue for Mitsubishi Mining and Cement on which the coupon is indicated at ½ per cent.

Handelsbank Natwest was the lead manager on another convertible, a SFr40m six-year deal for Kasai Kogyo, a car interior manufacturer affiliated to Nissan Motors. This is the first such deal for about six weeks not to offer an investor put option. This was compensated for with a much higher indicated coupon of 3 per cent. It was bid at a discount of 2¼ in the grey market.

Australian SE to speed up share transfer system

By Our Financial Staff

THE AUSTRALIAN Companies Act and Code will be amended to allow for early introduction of a new and faster share transfer system, the joint Federal-State Ministerial Council for Companies and Securities said yesterday.

The Council decided the legislation should be amended to ensure an effective pilot run of the Australian Stock Exchange's proposed flexible accelerated securities transfer system (Fast), according to Mr Chris Sumner, the council's chairman.

Fifteen listed companies have so far agreed to participate in a pilot run of Fast in the second quarter of 1989, he said. Mr Sumner, who is the attorney-general of South Australia, said the current system of share transfer had been subject to considerable criticism.

The present system is notorious for its slowness and has made some foreign stockbrokers reluctant to deal in Australian shares, local brokers and regulators have said.

Mr Sumner said the council also agreed the release of a new draft bill on share buy-backs. At present, Australian companies can buy their own shares back but must either sell or cancel them within 12 months.

German futures exchange plans dry run

By Haig Simonian in Frankfurt

A STEP-BY-STEP timetable has now been drawn up by the backers of the Deutsche Termin Boerse (DTB), West Germany's planned new financial futures and options exchange, to enable it open on time in December 1989.

According to the draft timetable, the exchange should effectively be ready by September next year. That will allow member banks and brokers a three-month "dry run" to prepare themselves for the exchange's offical start of trading at the end of next year.

Three separate classes of membership are envisaged. "General clearing members" will be allowed to clear contracts for themselves or for other members which have not applied for a clearing licence. "Direct clearing members" will only be entitled to clear for their own account, while ordinary exchange members will have no clearing status.

The exchange is likely to have between 10 and 20 market makers, according to Mr Rolf Breuer, the Deutsche Bank board member closely associated by the project, with 20 likely to be the absolute maximum.

According to Mr Thomas Fischer, the DTB project manager at Arthur Andersen, the international accounting and consultancy group which has done much of the preparatory work for the new exchange, members will have to initiate their DTB project teams by next month.

That should allow sufficient time to assess their requirements, notably for the essential computer hardware required to trade on the new computer-based market. According to Mr Fischer's key dates, equipment will have to be ordered from Digital Equipment Corporation of the US by next January at the latest if the project's timing is not to be jeopardised. Trading software will be provided by the DTB itself.

Training will be all-important on the new exchange, as few German banks have domestic experience of futures and options beyond the limited equity options now available on German bourses. Moreover, computer-based trading will also be an entirely new departure for those hitherto used to trading on the stock exchange floor.

Thus the draft timetable envisages a lengthy training period between next April and August, during which members' own efforts will be supplemented by training provided by the DTB itself.

However, personnel and the lack of trained staff is "one of the most difficult problems" for the DTB, according to Mr Breuer. It is likely that some members of the new exchange will have to hire experienced staff from abroad until the level of home-grown expertise increases.

"We're starting from zero — at least for personnel," he said recently. Thus there is "no other alternative" to bringing in expertise from abroad. Deutsche Bank itself has recently hired Mr Hans-Henning Tönsmann, formerly a director of Euroclear in Brussels, to play a leading role in its own planned participation on the DTB.

Meanwhile, the exchange itself has appointed a chief executive, Mr Jörg Franke, currently chief executive of the Berlin bourse, and it is now looking to recruit further.

Mr Franke is spending increasingly more time in Frankfurt, where the DTB project team already is based, and the exchange has even recently appointed a public relations company, Charles Barker, to help handle its requirements.

Indian state bank taps NY paper market

By Our Financial Staff

THE State Bank of India (SBI) *has issued commercial paper* for $200m on the New York money market. An official said yesterday that the paper ranged from one to nine months maturity and that Goldman Sachs had been appointed dealer.

The state-owned bank is the first Indian institution to issue commercial paper in the US. It plans to use the funds for its overseas operations, mainly in North America. SBI was rated A2 by *Standard & Poor's* and P1 by Moody's.

The commercial paper was issued by SBI International Finance, a subsidiary set up specifically for the purpose in the state of Delaware where tax benefits are available.

An SBI official said clearance had been obtained from the New York Securities and Exchange Commission.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†94	94½	+0⅛	0	[illegible]
All Nippon Air 9⅞ 97	100	†95	95½	0	−0¼	[illegible]
Amer. Brands 8⅞ 92	150	†97¾	98¼	0	−0⅝	[illegible]
A/S Eksportfinans 7⅜ 93	100	†93¾	94¼	0	−0¼	[illegible]
A/S Eksportfinans 7¼ 92	150	94⅛	94⅝	*0*	−0¼	[illegible]
Barc. Bk. Fin. 10¼ 89	200	†100½	101	0	−0¼	[illegible]
B.F.C.E. 7 92	150	93⅛	93⅝	0	−0¼	[illegible]
British Telecom 7⅜ 96	250	†90⅛	90⅝	−0	−0¼	[illegible]
Cal.Natl.Telecom 8½ 93	160	†98¼	98¾	0	−0¼	[illegible]
Canada 9 96	1000	99⅛	99⅝	−0⅛	−0⅝	[illegible]
Canadian Pac 10¼ 93	100	†102½	103½	0	0	[illegible]
C.C.C.E 7⅛ 91	113	†93¾	94¼	0	−0¼	[illegible]
C.C.C.E 9¼ 95	300	99	99½	−0⅛	−0⅝	[illegible]
C.N.C.A 7¼ 91	150	94⅛	94⅝	−0⅛	−0¼	[illegible]
Credit Lyonnais 9 91	200	†100⅞	101⅜	0	0	[illegible]
Credit National 8¼ 93	200	96	96½	−0⅛	−0⅜	[illegible]
Credit National 7⅞ 92	100	94¾	95¼	0	−0¼	[illegible]
Credit National 7¼ 91	150	†95½	96	0	−0¼	[illegible]
Denmark 7⅛ 92	500	†95¼	95¾	0	+0¼	[illegible]
E.E.C. 7 91	100	94½	95⅛	−0⅛	−0⅜	[illegible]
E.E.C. 7¼ 93	250	93	93½	−0⅛	−0¼	[illegible]
E.E.C. 8 90	350	98⅛	98⅝	0	−0¼	[illegible]
E.I.B. 7⅝ 93	100	93¾	94¼	0	−0¼	[illegible]
E.I.B. 9⅞ 97	150	99⅞	100⅜	0	−0⅛	[illegible]
Elec. De France 9 98	200	96¾	97¼	0	−0⅛	[illegible]
Finland 7⅞ 97	200	90⅛	90⅝	0	−0¼	[illegible]
Finland 7½ 93	200	93⅜	93⅞	+0⅛	−0½	[illegible]
Finn.Exp.Cd. 8½ 92	200	97⅝	98⅛	0	−1⅛	[illegible]
Ford Motor Credit 8 91	250	97¾	98⅜	0	−0⅞	[illegible]
Gen Elec Credit 10¼ 00	200	†100¼	100¾	−0⅛	−0⅛	[illegible]
G.M.A.C. 8 89	250	†100⅝	101⅛	0	−0¼	[illegible]
Gen. Mtrs. Corp. 9⅛ 92	200	99⅝	100⅛	0	+0⅛	[illegible]
Halifax BS 9½ 93	200	†99⅞	100⅜	−0⅛	−0¼	[illegible]
Hoesch 8¼ 97	100	†94½	95	0	−0¼	[illegible]
Italy 9 90	1000	†101⅛	101⅞	0	−0¼	[illegible]
L.T.C.B of Japan 8 91	100	97½	98	0	−0⅝	[illegible]
L.T.C.B. of Japan 8 97	200	90⅛	90⅝	0	−0¼	[illegible]
Mercds-Benz Cd. 8½ 95	100	†96¼	96¾	0	−0¼	[illegible]
Metropolis Tokyo 9½ 93	200	101⅜	101⅞	+0⅛	−0¼	[illegible]
Morgan Guaranty Tst. 7 90	150	†98½	99	0	−0¼	[illegible]
Norway 8⅜ 93	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pepsico Inc 7⅞ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal 8¼ 91	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Crp. 8¾ 94	125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Qantas Airways 10⅜ 95	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan 10⅜ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
State Bk S Aust 9¼ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Exp Cred 7¼ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed Exp Cred 10 92	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 7 91	250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 7 92	250	[illegible]	[illegible]	[illegible]	−0¼	9.15
Sweden 8¼ 96	200	[illegible]	[illegible]	[illegible]	−0¼	9.33
Sweden 8½ 92	200	[illegible]	[illegible]	0	+0¼	8.88
Victorian Rep 11⅝ 92	150	[illegible]	[illegible]	0	−0¼	9.29
World Bank 7 92	300	[illegible]	[illegible]	0	+0¼	8.99
World Bank 9 97	300	[illegible]	[illegible]	0	−0⅜	9.36
Yasuda Trust Fin 8½ 93	100	[illegible]	[illegible]	0	−0¼	9.36
Average price change... On day 0 on week −0⅛						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	100[illegible]	[illegible]	0	−0¼	5.75
Avis Fin.SVS 5⅞ 92	100	100[illegible]	[illegible]	[illegible]	+0⅛	5.74
Bank of Tokyo 5¾ 93	100	99[illegible]	[illegible]	0	−0⅛	5.74
Central BK. Turkey 7 92	200	102[illegible]	[illegible]	0	0	6.20
Commerzbank o/s. 5⅛ 93	300	98[illegible]	[illegible]	[illegible]	+0⅜	5.67
Degussa Int. 6⅛ 97	200	98[illegible]	[illegible]	0	+0⅛	6.29
E.I.B 5½ 98	150	96[illegible]	[illegible]	[illegible]	0	5.98
E.I.B 6 97	300	99[illegible]	[illegible]	[illegible]	0	5.99
E.I.B. 6⅛ 96	300	100[illegible]	[illegible]	0	0	5.94
E.I.B. 6⅛ 97	400	100[illegible]	[illegible]	0	0	6.04
E.I.B. 6⅞ 95	300	104[illegible]	[illegible]	0	+0⅛	5.97
Euro.Coal& Steel 5⅞ 97	175	98[illegible]	[illegible]	0	0	6.02
Eurofima 6¼ 96	100	101[illegible]	[illegible]	[illegible]	+0⅛	5.89
Elec De France 5⅞ 97	300	97[illegible]	[illegible]	0	0	6.12
Forsmark Krtg. 5⅛ 93	200	97[illegible]	[illegible]	0	+0½	5.64
I.A.D.B. 6 97	200	98[illegible]	[illegible]	0	+0¼	6.11
Japan Dev. Bk. 5⅜ 95	300	97[illegible]	[illegible]	[illegible]	+0⅜	5.84
Japan Finance 5¾ 97	100	96[illegible]	[illegible]	[illegible]	+0⅝	6.23
Ireland 6½ 97	300	99[illegible]	[illegible]	0	0	6.49
Korea Dev BK 6⅝ 93	100	100[illegible]	[illegible]	[illegible]	0	6.33
Malaysia 6¼ 94	150	99[illegible]	[illegible]	0	0	6.30
Nat. West BK. PLC 6 98	300	96[illegible]	[illegible]	[illegible]	+0½	6.40
Nippon Telg.&Tel. 6 95	400	100[illegible]	[illegible]	[illegible]	+0½	6.05
Oesters. Kontbk. 5 93	300	97[illegible]	[illegible]	0	+0¼	5.55
Portugal 5¾ 92	150	99[illegible]	[illegible]	0	−0⅛	5.71
Portugal 6⅝ 95	150	101[illegible]	[illegible]	0	+0⅛	6.25
Privatbanken 5¼ 93	150	96[illegible]	[illegible]	0	+0⅛	6.03
Royal Insurance 5½ 92	300	99[illegible]	[illegible]	0	0	5.49
Soc Cent Nucleair 7⅛ 95	150	103[illegible]	[illegible]	0	+0⅛	6.54
Turkey 6½ 95	500	9[illegible]	[illegible]	0	0	6.83
Westlb. Finance 5 93	200	†97[illegible]	[illegible]	[illegible]	−0½	5.68
World BK. 6¼ 97	600	101[illegible]	[illegible]	[illegible]	+0⅛	5.95
Average price change... On day +0[illegible] on week +0⅛						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†10[illegible]	[illegible]	[illegible]	0	4.78
Acfinag 5 03	100	†100[illegible]	[illegible]	0	+0¼	4.90
B.F.C.E. 4½ 98	200	†97[illegible]	[illegible]	0	0	4.77
B.M.W.Fin.Neth. 5 13	150	†94[illegible]	[illegible]	0	+0¼	5.38
Britannia B/S. 4¾ 94	100	†97[illegible]	[illegible]	0	+0¼	4.70
CIR. Int. W/W 3 93	125	†100[illegible]	[illegible]	[illegible]	−0⅞	2.89
Credit Lyonnais 4⅞ 00	100	†97[illegible]	[illegible]	0	+0⅛	4.99
E.I.B 4⅝ 98	150	†99[illegible]	[illegible]	0	−0⅛	4.69
Fletcher Chall. 4⅞ 98	150	†96[illegible]	[illegible]	0	0	5.31
Kobe City 4⅝ 98	150	†98[illegible]	[illegible]	[illegible]	+0¼	4.77
Leeds Perm. B/S. 4⅛ 93	200	†98[illegible]	[illegible]	0	−0⅛	4.43
Malaysia 5¼ 98	100	†98[illegible]	[illegible]	0	−0⅛	5.43
Maxwell Comm.Crp. 5 95	150	†102[illegible]	[illegible]	0	+0⅜	4.53
Nationwide Ang.B/S. 4 93	200	†96[illegible]	[illegible]	0	+0⅜	4.72
Nippon Telg.&Tel.4¼ 95	200	†98[illegible]	[illegible]	[illegible]	−0⅝	4.42
Oesters. Ktbk. 5 03	75	†99[illegible]	[illegible]	[illegible]	−0¼	5.02
Rep.National Bk. 4 93	150	†96[illegible]	[illegible]	[illegible]	+0¼	4.38
Thailand 4⅝ 95	200	†95[illegible]	[illegible]	[illegible]	+0⅛	5.45
World Bank 5 03	150	9[illegible]	[illegible]	0	+0⅝	5.06
Average price change... On day −0[illegible] on week +0						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
E.I.B. 6⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. De France 5⅛ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway 5⅜ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rep. of Italy 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden 4⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 5¼ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average price change... On day +0 on week +0⅛						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10⅛ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alg. Bk. Ned. 5¾ 92 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 6¾ 92 FL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aust. Ind. Dev. 12¾ 93A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Barc. Bk. 10⅛ 97 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9¾ 93 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways 10 98 £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C.I.B.C.Mort. 10⅛ 93 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comm.Bk.Aust. 12½ 93A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] 92 ECU	100	100⅜	101	−0⅛	−0½	7.51
[illegible] 5 £	90	†97⅞	97⅞	−0⅛	+0⅛	11.59
[illegible]ak 9⅞ 97 £	75	†93⅛	93⅝	+0⅛	+0⅝	11.09
[illegible] 12⅝ 95 A$	70	99	99½	+0⅛	0	12.88
[illegible]dak 13 90 A$	100	99⅛	99½	0	−0⅛	13.43
[illegible] LF	10	†100⅞	101⅜	0	0	8.25
[illegible] 10¼ 95 C$	125	†99	99½	+0⅛	+0¼	10.39
[illegible] 97 ECU	145	96⅞	97¼	+0⅛	+0¼	7.86
[illegible] 92 FL	50	†104⅞	105½	+0⅛	+0¼	5.87
[illegible] Bk. 9⅞ 92 C$	75	†98	98½	0	−0¼	10.31
[illegible] 10⅞ 93 C$	100	†100¼	100⅞	0	−0⅝	10.53
[illegible] 9⅞ 93 £	70	92	92½	0	+0⅛	11.80
[illegible] 93 C$	150	†97⅛	97⅞	+0⅜	+0⅜	10.43
[illegible] 92 C$	75	†94	95	0	0	11.13
[illegible] Fin. 14 90 A$	50	99⅞	100⅜	+0⅛	0	13.83
[illegible] 10⅞ 97 £	100	95⅛	95⅝	0	+0⅛	11.22
[illegible]ds 10 03 £	100	94⅞	95⅛	+0⅛	+0⅝	10.71
[illegible] Intl. 10 93 £	60	96	96½	+0⅛	+0⅛	11.06
[illegible] 10⅛ 98 £	150	93½	94	−0⅛	+0⅛	11.34
[illegible] 10⅛ 93 C$	*100*	*†99⅝*	*100⅛*	*+0⅛*	*+0⅞*	*10.76*
[illegible]n. 6¼ 91 FL	100	100⅜	100⅞	0	−0⅛	6.44
[illegible]k. 13⅛ 92 A$	50	†97⅞	98⅜	+0⅛	−0⅛	13.71
[illegible] BS 10⅛ 93 £	75	96⅜	96⅞	+0⅛	+0¼	11.07
[illegible]ank 6 92 FL	150	99¼	99¾	0	0	6.15
[illegible] 9½ 93 £	100	94⅜	94⅞	−0⅛	0	11.02
[illegible] 7⅜ 93 ECU	200	100	100½	0	+0⅛	7.66
Oesters. Kntbk. 13⅜ 94 A$	75	101¼	101⅞	−0⅛	−0⅛	13.23
Prudential Fin. 9⅞ 07 £	150	†88	88½	+0⅛	+0½	10.85
Royal Bk. Scot. 10⅝ 98 £	125	95⅛	95⅝	+0⅛	+0¼	11.47
Saskatchewan 9¾ 91 C$	150	†98¾	99¼	0	0	10.27
S.D.R. 7¾ 95 ECU	90	†99⅝	99⅞	0	+0⅛	7.81
Wstd. Lb. Fin. 12½ 93 A$	50	†99⅛	99⅝	−0⅛	+0¼	12.63
World Bank 5¾ 92 FL	100	99¼	99⅞	0	−0⅛	5.90
World Bank 13⅜ 92 A$	100	†100	100½	+0⅛	0	13.25

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.37	99.42	21/01	10.99
Belgium 91 US	0	100.46	100.56	21/02	9
Britannia 5 93 £	0⅛	99.73	99.78	10/10	10.37
Chase Manhattan Crp. 91 US	0⅛	99.58	99.75	22/02	8.94
Citicorp 98 US	†0¼	97.45	97.70	30/11	8.94
EEC 3 92 DM	†0	100.92	101.02	22/02	5.63
Halifax BS 94 £	.1	99.62	99.67	9/11	11.16
Inst. In Industry 94 £	0	99.67	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	99.91	99.96	13/01	10.44
Midland Bank 01 £	.1	94.87	95.87	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	99.83	99.87	30/09	10
New Zealand 5 97 £	.07	99.71	99.81	18/11	11.62
New Zealand 5 01 US	0	99.93	100.03	4/02	8.62
State Bk. Nsw. 98 US	.188	100.44	100.54	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.67	99.72	13/10	10.44
Woolwich 5 95 £	0⅛	99.50	99.55	21/11	11.62
Average price change... On day −0.01 on week +0.00					

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	101⅞	102⅞	−0⅛	23.53
Alco Health 6¼ 01 US	†7/86	26.25	104½	106	−0⅛	0.47
Amer. Brands 7¾ 02 US	9/87	56.7	100⅝	101½	+0⅛	12.69
Ashikaga Bank 2⅛ 02 US	4/87	967.	124⅜	125⅜	−0⅞	1.18
Asics 5 92 DM	12/83	472.7	189⅝	191	0	10.41
CBS. Inc. 5 02 US	†4/87	200.	92	93	0	8.90
Fujitsu 3 99 US	5/84	1106.	257	258	−6½	−3.13
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	126⅜	128	−0⅛	1.42
Land Secs. 6¾ 02 £	6/87	6.72	91⅝	92⅝	+0⅛	13.18
MCA Inc 5¼ 02 US	9/87	69.62	80¼	81¼	0	29.30
Minolta Camera 2¼ 94 DM	2/86	1004.	97¾	99⅛	−0⅛	17.03
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	105⅝	107	−0½	3.26
Mitsui Trust 2⅞ 01 US	10/86	1903.	117⅜	118½	−0⅛	−1.18
Next Plc 5¾ 03 £	11/87	4.3	99¼	100¼	0	105.23
[illegible] 2⅞ 03 US	4/88	804.	105⅝	107	−1¼	3.84
[illegible] 2⅞ 02 US	4/87	1310.	200⅝	201⅛	−1¼	−0.38
Primerica 5½ 02 US	4/87	66.75	66¼	67⅛	−0⅛	55.63
[illegible] 4¼ 03 £	†2/88	3.5	111⅛	112⅛	+0⅛	1.80
[illegible] 7¼ 02 £	1/87	5.4	88	89	+4	15.16
[illegible] 6¾ 03 £	†10/89	4.41	96	97	0	25.17
[illegible] 2⅞ 02 US	9/87	82.87	73¼	74⅜	+0⅛	52.94
W.R. Grace 6½ 02 US	9/87	42.12	79¼	80⅛	−0⅛	32.37

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

Strong debut for Denmark's option exchange

By Our Financial Staff

DENMARK'S OPTIONS and futures market got away to a successful start yesterday, registering contracts totalling DKr247m (US$20.5m) in nominal value registered, according to the Guarantee Fund for Options and Futures.

The fund, which acts as a clearing house for the new market, said it registered 247 contracts by 34 dealers, operating through a telephone market and open outcry at the Copenhagen stock exchange.

"In view of the limited instruments available, turnover at the market start may be seen as promising," the fund said. First registration took place 16 seconds after the market's official opening time of 11am.

Most dealing was in futures for the benchmark 9 per cent, 18-year government bond, for which call options were also available. Contracts were traded to October 3, 1988 and January 2, 1989.

The Danish bond market ranks among the 10 largest in the world with an annual turnover last year of DKr5,500bn. About two-thirds of this turnover was in the 9 per cent, 18-year benchmark state issue.

The market is to be expanded as soon as possible. The instrument to be introduced will be a index contract.

Spanish rating

THE Kingdom of Spain's $1.9bn of foreign bonds have been assigned a double-A credit rating by Standard & Poor's, the New York agency, writes Our Financial Staff.

The A-1+ short term ratings on the Kingdom's Euro and US commercial paper programmes were also affirmed. Standard & Poor's said the ratings reflected Spain's stable political environment, strong external financial position and improved economic prospects, largely stemming from integration with the European Community.

NZ bonds tender

THE New Zealand Government is to raise NZ$300m (US$183m) at next week's tender in three and five-year bonds, writes Our Financial Staff. Coupon on the 1991 offering is 11.0 per cent and 10 per cent on the 1993 issue. The tender is the last planned within the Government's 1988-89 debt programme.

INTERNATIONAL COMPANIES AND FINANCE

Canadian cable group expands in Europe

By Raymond Snoddy in London

VIDEOTRON, Canada's second largest cable operator, plans to introduce a wide range of two-way services in its first cable investment in the UK - a 45 per cent stake in Southampton Cable.

Mr Andre Chagnon, chief executive of Videotron, said yesterday many of services that had helped to win more than 1m cable subscribers in Canada would be introduced in Southampton although not in precisely the same form.

As well as having around 40 channels of television viewers, the company claimed yesterday that subscribers would be allowed to choose which camera they wished to view through and to be the producer of their own programmes.

Southampton, using Videotron's computerised technology would also be offering local estate agency services, video games, monitored dating services, home security, free classified advertisements and metering of utilities such as electricity and gas.

Mr Chagnon said yesterday he believed it was possible to achieve Canadian levels of cable subscription in the UK. In Quebec, Videotron gets subscription levels approaching 75 per cent. At the moment the similiar figure for the UK is closer to 14 per cent.

Mr Chagnon was speaking yesterday as Southampton announced it had successfully completed a £30.5m ($51m) financial package, put together by PaineWebber International, two years after being awarded the franchise.

Videotron and Compagnie General des Eaux of France will each hold 45 per cent of the voting shares in the company with the remainder retained by the initial UK investors in the venture.

On top of an equity investment of £10.5m, the First National Bank of Boston has put up a £20m debt package, the bank's first major involvement in cable in the UK.

Reed unit buys book club stake from Bertelsmann

By Nikki Tait in London

OCTOPUS Publishing, now a wholly-owned subsidiary of Reed International, the UK publishing group, yesterday emerged as the buyer of a 50 per cent share in Book Club Associates, Britain's biggest book club.

Octopus, which was the largest independent UK publisher until its acquisition by Reed for £535m ($893m) in July 1987, is acquiring the interest from Bertelsmann, the West German publishing group, for £52m.

The purchase, which is conditional on the deal not being referred to the Monopolies and Mergers Commission (MMC), brings to an end a lengthy and complicated saga centred on the disposal of the holding.

BCA was formed in the mid-1960s by W.H. Smith, the UK retailer, and Doubleday, the US group, with the two companies holding equal interests. Doubleday was then acquired by Bertelsmann in 1986.

A year ago, W.H. Smith announced it was disposing of its half-share for £60m to Bertelsmann, which in turn planned to sell on this 50 per cent to Les Presses de la Cité, the French publishers. Bertelsmann also proposed, as part of a complex deal, to sell 50 per cent of its other British offshoot, Leisure Circle — the UK's second largest book club — to Les Presses.

This, however, provoked MMC intervention, and in August the W.H. Smith stake in BCA was sold to Bertelsmann itself for £60m. At the time, the German company undertook to find a new buyer to whom it could sell on the 50 per cent holding.

Yesterday, Mr Paul Hamlyn, chairman of Octopus, indicated that the current deal would not have got this far if any further MMC problems were envisaged. He declined to comment on the reduced price, however, except to say that it was a matter for negotiation. Octopus, he added, had been interested in acquiring the holding for about a year.

BCA, which has about 2m members, made pre-tax profits of £3.775m in the 13 months to May 28. Turnover was in excess of £80m. Chairmanship of BCA will be held by each partner on a rolling annual basis, with Mr Hamlyn taking up the post first.

Stock-indexed unit trust launch in UK

By Clive Wolman in London

THE FIRST authorised unit trust which is designed to track the UK stock market index is to be launched on October 10 by Royal Life Fund Management, a subsidiary of Royal Life Holdings.

The fund will invest in the shares of all 709 companies that make up the FT-Actuaries All-Share Index, in proportion to their precise weighting so that the returns on the fund will replicate those from the Index, which is the broadest measure of the performance of the UK stock market.

Over the last five years, there has been mounting criticism of traditional investment managers as more than 80 per cent of them have consistently achieved lower returns from their active stock selection than would have been achieved by investing passively in the entire index. As a result several pension funds have redirected some of their money into passive index-tracking funds since 1984 and in the US more than $200bn is invested in such funds.

However, the Royal Life fund will be the first open to a wider range of investors who will be able to pool their money together in an authorised unit trust.

The fund will be run in conjunction with Mr David Damant of Paribas Asset Management who was the first to offer a facility for passively tracking a stock market index in the UK 11 years ago. Mr Damant is currently responsible for advising on the execution of deals in the shares making up the index for assets worth about £600m ($1bn) managed by Frank Russell, the international pension fund consultancy firm.

The minimum investment in the fund is £250,000 which will make it suitable for small pension funds, charities and other trusts and wealthy individuals. The maximum entry charge is about 6 per cent, although for investors who by-pass brokers and other intermediaries the charge will be only about 3 per cent falling to 2 per cent for larger investments. The annual management charge is 0.3 per cent, compared with more than 1 per cent for most unit trusts.

Royal Life is itself investing about £300m of its £6bn of assets in the fund which will ensure that it is able to exploit economies of scale when buying and selling the smaller company shares. Royal Life was also planning to launch a facility for small investors to put money into the fund, but the initiative has been delayed by regulatory obstacles.

Stromsdal buys board maker

By Clay Harris in London

STROMSDAL, the Finnish forest products group, has paid just over £1m ($1.67m) to buy coated board manufacturer Witchampton Boardmills from Price Waterhouse, appointed in July as receiver.

The Dorset-based company was bought by management in 1984, saving it from planned closure by G-P Inveresk, part of Georgia Pacific of the US.

Stromsdal's mill at Kuopio has annual capacity of 40,000 tonnes of paper board, while Witchampton's annual capacity is 10,000 tonnes.

Mr Martin Pitfield, appointed Witchampton's managing director by Stromsdal, said yesterday he expected employment to be close to the pre-receivership level of 60.

McAlpine wins £130m Thames contract

By Peter Marsh in London

SIR ROBERT McAlpine, the British construction company, has been awarded a £130m management contract to convert Battersea Power Station in south London into a £200m ($334m) leisure centre.

The power station, on a 77 hectare site next to the Thames river, is to be made into a series of halls and galleries which will house a theatre and other entertainments.

Part of the work will involve construction of a new railway station with a direct link to Victoria Station and parking for 2,200 cars. An existing jetty at the site is to be refurbished and there are to be new bridge links across the river.

Investor interest in stocks still hit by market crash

By Eric Short in London

INVESTORS in Britain have still not recovered their confidence in equity investment after the stock market collapse last October.

Figures issued yesterday by the Unit Trust Association show that net new investment in unit trusts last month amounted to just £94.5m ($158m) against £110.7m in July and well below the monthly average net investment so far this year.

Unit trust marketing managers have adopted various means to rekindle investor interest in equities.

There is still a steady stream of new funds coming on the market, both UK and overseas based. The groups emphasise that low share markets offer fund managers ample opportunity for buying undervalued shares.

However, to date, the majority of investors this year have preferred the safety of building society deposits for their savings.

The August figures for building society net investment, published today are again expected to exceed £1bn — a value that has been exceeded in every successive month since last November with the exception of January.

This time last year, unit trusts were riding on the crest of a buyers wave with unit trust purchases exceeding £1bn a month and net investment in units exceeding that in building societies.

In contrast, net new investment so far in 1988 has still not reached the £1bn level amounting to £976m by the end of August. In the first eight months of last year net new investment amounted to £4.7bn.

The actual unit sales — the amount of units bought by investors — totalled £472.3m in August, the lowest sales figure since last October.

At this level, unit trust sales to end-August amounted to £5.1bn - half the value of sales for the corresponding period last year of £10.1bn.

Generali boosts earnings 15%

ASSICURAZIONI Generali, Italy's largest insurance company, reported yesterday that parent company gross earnings rose to L291.3bn ($207m) in the first half of 1988, up 15.6 per cent from L251.9bn a year earlier, AP-DJ reports.

The company said that based on the economic results so far this year, it expects net profit for the full year to top last year's L254.2bn. Italian companies don't report net results on a half year basis.

Gross premium income rose to L2,500bn in the opening half of this year from L2,086bn a year earlier.

Hoogovens and Italsider in research deal

By Nick Garnett in London

HOOGOVENS, the Dutch steelmaker and Italsider of Italy have decided to join a research programme set up by British Steel designed to cut costly coke consumption in blast furnaces.

The two continental European producers will each contribute £1m and some technical personnel to the project which overall is costing £6.4m ($10.6m).

British Steel is already well advanced on pilot projects for the injection of oxygen and granulated coal directly into blast furnaces.

What is claimed to be the first granulated coal injection system is operated by British Steel at Scunthorpe.

In a trial scheme at Scunthorpe, oxygen has been added to the coal injection system. British Steel said that a full scale production trial was now being set up at one of the two smaller blast furnaces at Teesside.

British Steel said the use of granulated coal has helped to reduce the coke burned at Scunthorpe by 20 per cent. Adding oxygen will bring total savings of up to 50 per cent.

UK COMPANY NEWS

Thriving construction sector provides backing for improvement

RMC rises 60% to £86m mid-way

By Ray Bashford

RMC, the world's largest producer of ready-mixed concrete, benefited from the mild winter in Northern Europe and improved trading conditions for its subsidiaries on the Continent to boost pre-tax profits from £53.7m to £86.2m during the six months to June 30.

This 60 per cent improvement was achieved after a rise in turnover from £818.5m to £992.4m, which reflected growth in volumes from all major areas of operation.

Earnings per share were 58 per cent up at 24.7p (15.6p) and the interim dividend was lifted from 3.5p to 4.6p.

The size of the group's improvement during the half was due partly to the fact that the results for the corresponding period were hit by the impact of poor weather conditions.

Directors said the recent favourable weather conditions had brought forward work which normally would have been carried out during the second half. As a result, these latest results were likely to constitute an abnormally large proportion of the year's total.

The thriving UK construction sector provided the backing for the overall group improvement. Apart from higher sales of ready-mixed concrete and aggregrates, DIY operations through the Great Mills subsidiary, also made an increased contribution.

The operating profit from UK operations rose from £33.8m to £52m.

The milder weather helped the company take full advantage of the more buoyant trading conditions in West Germany, its other major area. Weakness in the country's construction market had acted as a brake to growth in the previous first half.

Operating profits from West German operations advanced from £4.2m to £11.2m.

In Spain and France, the other principal European operations, recent expansion programmes allowed the company to participate more fully in brighter trading conditions.

The company does not provide a break down in contributions from France and Spain. However, they returned well over half of the £25.5m derived from sources listed as "other countries." This compares with a £18.1m return in 1987.

The US activities, which were doubled last January through the purchase of a joint stake in a venture with the Lone Star group for £29.5m, returned a reduced contribution.

However, directors said that the venture with Lone Star returned figures in line with those expected at time of the purchase.

See Lex

Spring Ram heads for ninth record year

By Alice Rawsthorn

SPRING RAM, the ambitious kitchen and bathroom group, is on course for its ninth successive record year, after raising pre-tax profits by 54 per cent to £6.8m in the first half.

The company began trading in 1980 as a manufacturer of acrylic baths. It has since expanded rapidly to become a leading player in both the bathroom and kitchen markets.

Mr Bill Rooney, chairman, said that in the interim period the group had "continued to prosper" in established markets and had benefited from the introduction of new products.

Turnover rose to £38.1m (£29.1m) in the six months to July 2. Earnings per share increased to 5.7p (4.2p). The interim dividend is increased to 0.2p (0.18p).

Spring Ram has invested £14m in production facilities at its base in Scunthorpe. This additional capacity will be used to produce Chippendale Kitchens, which will be pitched above its two established ranges when launched next month.

Mr Rooney said Chippendale was expected to double the group's current 14 per cent share of the kitchen market within the next three years.

The Next Dimension kitchen range for the mass market is already being manufactured at Scunthorpe for sale through D-I-Y outlets.

Spring Ram's strategy so far has been to introduce three separate ranges for the kitchen and bathroom, thereby covering all but the very highest and very lowest market sectors. It has also broadened its portfolio by launching products like tiles, taps and domestic applicances to co-ordinate with the basic units.

The company plans to diversify into other areas of the home through investment in extra capacity and by acquisition. It currently has no gearing.

In recent months it has also strengthened its export team and has introduced new products specially designed for export markets. The objective is to boost the proportion of sales generated overseas from 5 per cent now to 20 per cent by the early 1990s.

Mr Rooney described the outlook for the second half and for next year as "particularly attractive."

Brent Walker boosts Local London stake

By Paul Cheeseright, Property Correspondent

BRENT WALKER, the acquisitive leisure group headed by Mr George Walker, yesterday mounted a teatime raid on the shares of Local London Group and, for around £11m, boosted its stake to 14.9 per cent.

Local London is a property company which itself expanded rapidly last year. It specialises in business centres but also has a 25.3 per cent share of Marina Development Group, the UK's largest marina operator.

The question of a full bid for Local London remains open, Brent Walker said. There was no response yesterday from Local London to the share purchases.

James Capel, stockbrokers acting for Brent Walker, moved into the market at about four o'clock, offering 550p apiece for Local London shares and quickly accumulated just over 2m.

The price was a premium of 130p over Local London's closing price on Wednesday, but compared with the 735p at which Local London staged a rights issue just before October's market crash.

Yesterday evening, Local London shares closed at 535p, a rise of 115p on the day. Brent Walker shares closed 7p lower at 359p, while Marina Development responded to the news with a 33p rise to 388p.

Before James Capel moved into the market, Brent Walker had 4.9 per cent of Local London acquired at between 400p and 550p per share.

The Local London stake is the latest in a stream of acquisitions and development plans recently announced by Brent Walker.

These included the Elstree film studios, the Lyceum and the Trocadero in London's West End, WonderWorld near Corby, and a string of pubs from Grand Metropolitan.

Local London last week announced interim pre-tax profits, boosted by a series of property sales, of £5.5m.

Filofax first half fortunes fade

By Philip Coggan

THE TIMING was unfortunate. On the day when Mr Jeffrey Archer's works first appeared in Filofax form, the personal organiser company revealed it had earned "not a penny more, but £126,000 less" in the six months to June 30 than it had in the first half last year.

The new "Filofiction" series - launched by Octopus under licence from Filofax - is only the latest gimmick in the personal organiser's 60 year-old history.

But the profits fall raises the question of whether a whole series of journalistic cliches will have to be rewritten.

For the past few years, "Filofax", "Yuppie" and "Porsche" have been the inseparable buzzwords in a thousand articles about materialistic young people in Thatcher's Britain. The result has been a lot of free publicity for the Filofax group.

Has the fad come to an end? Not according to Mr David Collischon, Filofax chairman, although he admits that "it would be unrealistic to expect the same rate of growth in the UK market as experienced over recent years". The first of a range of new products, Deskfax, has been launched.

Mr Collischon was unabashed by the fall in profits to £318,000, pointing out that the bulk of the group's profits are made in the second half.

The shortfall was caused by the fast take-up of the group's new point-of-sale units, which are expensive to install, a move to a new distribution centre and a strengthening of management.

Overseas sales are still forging ahead except in Japan. There are 200 different Japanese personal organiser systems and the competition there caused Filofax sales to fall by around 50 per cent.

Earnings per share fell to 1.4p (2p). The interim dividend is unchanged at 0.75p.

The markets reacted like another title in the Filofiction range - James Herbert's "The Rats"- knocking 13p off the share price to 118p.

Strong growth at Logica brings 30% advance

By Terry Dodsworth

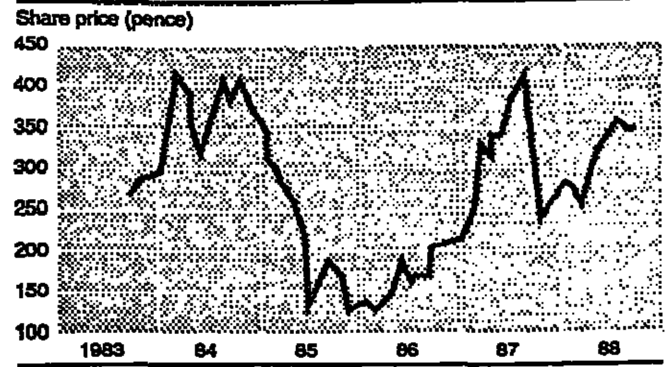
LOGICA, the UK software and systems group, achieved a 30 per cent increase in pre-tax profits in its last financial year, largely due to strong growth in the financial services market and demand for software systems from established computer manufacturers.

The advance in these sectors outweighed a downturn of about 10 per cent in the company's defence business and a static performance in its space-related activities, which were hit by the Government's withdrawal from several space projects. Other parts of Logica's operations, such as software for the energy industry and the utilities, registered turnover increases of about 10 per cent, Mr Philip Hughes, chairman, said yesterday.

Pre-tax profits for the year to the end of June amounted to £14.7m against £11.3m in 1987, while consolidated turnover saw an increase of 23 per cent to £124m from £101m. After-tax profits came to £9.3m compared to £7.1m, leaving earnings per share at 18.1p against 14.4p. The directors are proposing a final dividend of 1.6p per share, giving total dividends for the year of 2.3p compared to 1.7p.

The results included a three months' contribution from

Logica



Data Architects of the US, which has been merged into Logica's existing American operations since its acquisition a few months ago.

Although the Data Architects' results have not been broken out separately, Mr Hughes said that the US group had performed in line with expectations, and that it had not had a detrimental effect on group earnings per share.

Pre-tax profit margins rose sharply during the year to 11.9 per cent on sales from 11.2 per cent in the previous 12 months, reflecting a steady increase over the past few years. Mr Hughes attributed the rise to a mixture of an increasing ratio of higher value added work and cost controls.

At the year end, about 25 per cent of the group's activities were in the financial sector, where Logica claims to have been relatively insulated from the downswing in Stock Market activity by its concentration on work for the clearing banks. Sales in this sector grew by 27 per cent last year.

Work on software for the big computer groups amounted to 17 per cent of total sales, following a 37 per cent jump in sales last year. Mr Hughes said that this business now seemed to have established itself as a permanent aspect of the group's activities.

See Lex

Central 28% ahead and upholds advertising share

By Fiona Thompson

CENTRAL INDEPENDENT Television, the IBA contractor for the Midlands, increased pre-tax profits by 28 per cent from £7.06m to £9.07m in the six months to June 30 1988. Earnings per share rose from 17.2p to 22.1p.

Turnover increased by 8 per cent to £113.88m against £105.28m in the same period last year, and Central maintained its market share of advertising revenue at 14.3 per cent.

Central is the second largest ITV company in terms of revenue, after Thames, and the leading seven day contractor.

"Advertising revenue is continuing at a high level and results for the year should be satisfactory", said Mr David Justham, chairman.

Central has recently concluded a series of agreements on changed working practices and job reductions with a number of unions. "We are on course to reach our aim of making savings of £4m annually by 1989," said Mr Leslie Hill, managing director. Negotiations will continue for a year or two.

The tax charge rose from £2.68m to £3.4m. An interim dividend of 6p (5p) was declared.

Multitone Electronics loss rises to £0.75m

Multitone Electronics, which rebuffed a £12m takeover approach from Blick last January, yesterday reported an increased loss of £746,000 in the year ended March 31 1988, against £436,000, reflecting a deficit on North American operations of £770,000.

When announcing a reduced first half deficit the directors indicated that the outlook was improving and that full year results would be satisfactory.

The directors said yesterday that action taken, plus the large order book, should lead to a return to profitability in the current year. The dividend is again 0.1p

Income flow and reserves make ARC a main attraction

By Clay Harris

AT CONSOLIDATED Gold Fields, its middle name is not all that glisters. Among its crown jewels – one of only two operations which Minorco has said it would definitely keep if its £2.9bn takeover bid succeeds – is ARC, a leading producer of construction materials in Britain and the US.

ARC, formerly called Amey Roadstone, contributed operating profits of £98m in the year to June, more than 40 per cent of Gold Fields' total excluding the proceeds of disposals.

But the annual income flow from ARC is only a small part of its attraction. Most of its UK reserves were bought 15 to 20 years ago and are still in Gold Fields' books at acquisition value.

Especially valuable are limestone deposits in the Mendip Hills in north Somerset and in Gloucestershire.

They are close and linked by rail to the main growth markets in the UK. Most importantly, ARC has planning permission to exploit them, an almost priceless advantage in an increasingly preservationist climate.

Having moved into aggregates in the late 1960s with the acquisition of St Ives Sand and Gravel and Amalgamated Roadstone, Gold Fields made its big step in 1972 with the takeover of Amey Group.

In the 1980s, ARC has bought Bath and Portland Group – giving it access to the home quarries of two of the most historic names in quality building stone – and the Midlands sand and gravel interests of Blue Circle.

ARC and Tarmac each have about 20 per cent of the UK market for aggregates – crushed stone and sand and gravel – nearly twice as much as RMC, their nearest rival.

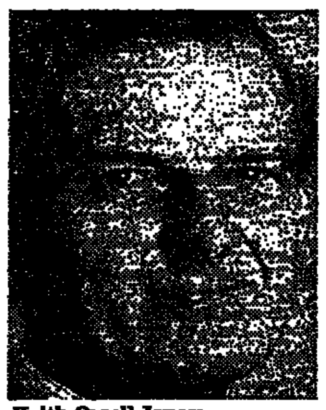
ARC is also the largest UK manufacturer of concrete pipe and concrete bricks, is second to RTC in pre-mix concrete and second to Tarmac in bitumen-coated stone.

In the US, it is the fifth largest aggregates producer. Its main business in the Midwest is supplemented by operations in Las Vegas and near Seattle. ARC's Hydro Conduit subsidiary is the leading US manufacturer of concrete pipes, supplying more each year than the UK's total consumption.

However, ARC will not only figure in financial arguments during the bid.

It is at the centre of Gold Fields' contention that ownership by Minorco – where the South African Anglo American and De Beers companies would own 40.9 per cent – must be bad for business.

With Gold Fields' South African investments, ARC already



Keith Orrell-Jones: disinvestment would 'take away an irritant'

has problems enough with anti-apartheid campaigners and Labour-controlled local councils.

In most cases, according to ARC, it has argued successfully on the grounds that it has no South African investments itself. The same tack has also worked in the US, where, for example, ARC had to defend its position before the Los Angeles city council.

Under Britain's 1988 Local Government Act, councils must concern themselves only with financial and technical criteria when awarding contracts. Political tests are forbidden.

This may mean only that discrimination may become more subtle.

"The problem that we have is proving the point," says Mr Keith Orrell-Jones, ARC chief executive.

Tarmac sold its last South African quarry in June, a move it insists was unrelated to anti-apartheid protests it had also faced, but one which makes it look politically clean compared with its main rival.

Anglo American defends against low gold prices

The group produces more than any other company, but its costs are higher. Kenneth Gooding reports

GOLD and the cost of digging it out of the ground played a significant part in Anglo American's decision to bid for Consolidated Gold Fields via Minorco, its Luxembourg offshoot.

Anglo produces more gold than any other company in the world, about 50 per cent more than Gold Fields. But Gold Fields makes more profit from its yellow metal.

This is because Anglo American's cash cost of production averages $305 a troy ounce, far above the $177 an ounce which is the average for Gold Fields' mines.

From another perspective, at a time of low gold prices, only about 20 per cent of the non-Communist world's gold output would in theory go out of production before Anglo American's mines were under pressure. But two-thirds of world output would have to disappear before Gold Fields felt the pinch.

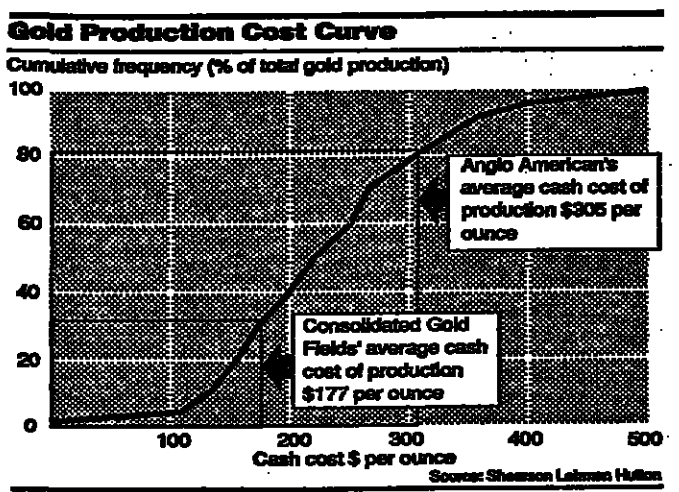
This is an important consideration for two reasons. Firstly, some observers believe there will be a glut of gold in future which will drive down prices, and secondly, there are some doubts whether the South African Government would step in, as it has in past recessions for gold, to provide financial support for the country's high cost mines.

Opinion is divided about whether an oversupply of gold will develop. For example, last year the supply of gold to the market in the non-Communist world, both newly-mined metal and from scrap, was just more than 2,000 tonnes. That exceeded demand for fabrication, by the jewellery industry mainly, and for hoarding by 144 tonnes. Optimists point out that the surplus was easily absorbed by investors in Europe and North America.

However, doom-mongers point out that between 1985 and 1988, the mining industry, encouraged by relatively high prices, spent $3.2bn on new capacity to bring on stream an extra 238 tonnes of annual gold production, equivalent to nearly one-fifth of total Western world output in 1986.

Not only that, most of the new gold is coming from mines in North American or Australia where costs are relatively low, often between $200 and

Gold Production Cost Curve



Source: Shearson Lehman Hutton

$220 an ounce.

The trend is illustrated by statistics which show that last year gold supplied from South African mines fell by just more than 5 per cent from the 1986 level to 607 tonnes. US production rose 31 per cent to 155 tonnes. Canadian output increased by 14 per cent to 120 tonnes and production in Australia was up 44 per cent to 108 tonnes.

Gold Fields not only has some of the lowest cost gold mines in South Africa but also has successfully built up a portfolio of properties in North America, Australia and Papua New Guinea, a country which is rapidly becoming a major gold producer.

Anglo American has not been able to match this performance and many industry watchers believe the bid for Gold Fields is in line with the South African group's strategy of buying working mines rather than searching for new ones.

It is clear, however, that Anglo American's declared intention – should its bid succeed – to sell off Gold Fields' remaining shareholding in Gold Fields of South Africa (GFSA) as well as Gold Fields' other lucrative South African mines and to reduce its shareholding in Newmont Mining in the US, does not fit in with this picture of a company in search of low-cost gold.

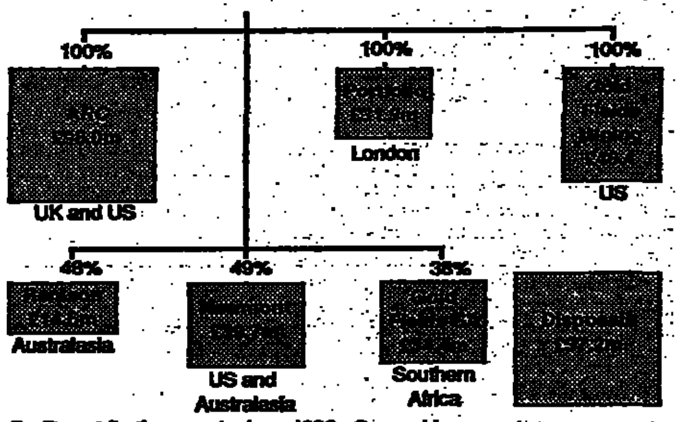
Newmont is a prime example of the new breed of mining companies. Newmont Gold, its 90 per cent-owned subsidiary, has massive reserves on the Carlin Trend in Nevada, the richest gold deposit outside South Africa and one the company expects to recover at a cash cost of about $200 an ounce.

Anglo American's proposed disposals can easily be explained. To start with, the South African Government would be unlikely to permit the absorption of GFSA into the Anglo American empire because of the huge concentration of mining and industrial power already in the hands of the Oppenheimer family which controls Anglo.

Politics must also play a part in the proposal to sell some of the Newmont shares. Newmont Gold has the biggest declared gold reserves of any US company and seems likely to become the major producer in the US in the early 1990s. The prospect of it coming under South African control could cause a political rumpus in the US.

Many observers believe Newmont is unlikely to be allowed to slip completely out of the Anglo American net. Mr Bob Davies, an analyst with Shearson Lehman Hutton, suggests Anglo American could sell some of the Newmont shares to other US companies within its orbit, for example, to Inspiration Resources, 42 per cent owned by Minorco and which already has Western Gold Exploration and Hudson Bay Mining among its subsidiaries.

Consolidated Gold Fields



Profit contribution, year to June 1988 - Ownership percentages as at year end Total Pre-tax profits £302.4m

Links with UK companies in spotlight

By Clare Pearson

MINORCO'S BID for Consolidated Gold Fields could never have been seen as an isolated move. It has kindled speculation about the future of the intricate network of alliances built up by the Oppenheimer family, for whom Minorco has acted as an overseas investment vehicle.

One area that that has been thrown into question is the chain that links Minorco in the UK to Charter Consolidated, the UK mining, manufacturing and investment group, and to Johnson Matthey, the precious metals technology company.

The sharp rise in shares of Charter and Johnson Matthey after the bid announcement signalled a wave of excitement that the value of their various assets might now be released. Andit is clearly possible to dream up a whole range of different ways by which the current arrangement could be reorganised so as to fit in with the aims of Minorco and Anglo American.

The existing arrangement has its roots in the colonial past and to many has long looked a candidate for a rethink.

The historical links are highly complex: for instance, Mr Neil Clarke, Charter's chief executive, sits on the boards of both Minorco and Johnson Matthey – as well as being a non-executive director of Gold Fields.

These days, the shareholdings work like this: Minorco holds 36 per cent of Charter, which itself has a residual stake in Minorco of 3.8 per cent. Charter's stake in Johnson Matthey – which, under a special dispensation from takeover rules, is allowed to increase by 2 per cent each year without making a bid – currently stands at 38 per cent.

Johnson Matthey is in turn linked back to Anglo American because it has the sole contract to refine platinum from the company's South African Rustenburg mine.

Two facets immediately come to mind in the wake of Sir Michael Edwardes' plans to build Minorco into an actively managed, high quality natural resources group.

One is that the lacklustre stock market rating assigned to Charter, whose other interests include a majority stake in Cape Industries, the industrial contracting and building products company, means that Charter in its present form almost certainly does not live up to Sir Michael's criteria for satisfactory investments.

The other is that Johnson Matthey's platinum refining business, from which it derives a substantial porportion of its profits, is of such strategic importance to Anglo American that most observers cannot imagine the company wanting to lose hold of it.

With the directors of all the companies battening down the hatches while the battle lines between Minorco and Gold Fields are being laid out, any plans are likely to remain a matter for wild speculation.

But one related development worth pondering in the meantime is the 6.3 per cent stake in Johnson Matthey which Cookson Group, the specialist metals and chemicals concern, surprised the market by picking up earlier this year.

The move seemed puzzling at the time because Matthey's strong links with Charter, which provided finance for it at the time of the Bank of England's rescue of its banking side, appeared to make it bid-proof.

One possible answer is a break-up of Johnson Mathhey, with the platinum side going to Anglo American (or one of its associates such as Minorco), and Cookson taking the rest.

But though the fit between Cookson and many of the parts of Johnson Matthey – materials technology, precious metals, catalysts, and printing – looks striking, Cookson may have made its move merely on the suspicion something was afoot in the Anglo American empire.

If so, it must have achieved a significant profit on its investment. Just before Cookson announced it had built up its stake, Johnson Matthey's shares were hovering around 300p. Yesterday they closed at 338p.

SIGN OF INFORMED OPTIONS TRADING

THE CHART demonstrates the extent of the speculative interest in Consolidated Gold Fields shares since the start of August and how specifically that interest was focused on the likelihood of a takeover bid before late October, writes Clive Wolman.

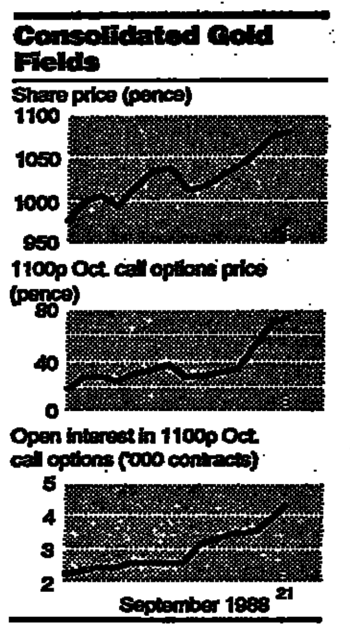
The share price rose from a low of 975p on September 1 to 1,078p on Tuesday during a period when the price of gold and the price of the other gold mining companies was falling fairly sharply.

But the real tell-tale sign of informed speculative trading is shown in the price of the series of call options on Gold Fields shares which are due to expire on October 26, in particular the 1,100p options which offer the highest gearing. These options would probably have expired as worthless if no bid had materialised by that date, as the share price was still 22p below the option exercise price on Tuesday.

On August 30, the 1,100p options stood at 17p but thereafter rose steadily to 35p a week ago before shooting up to 76p on the day before Wednesday's bid. The Black-Scholes model, which indicates the correct option price in relation to the share price, suggested that by Tuesday the 1,100p October options should have been priced at around 40p.

Even more significant was the volume of trading in the 1,100 options. The number of contracts held by participants, the "open interest," rose from only around 500 in July and early August to 4,300 contracts by Tuesday.

Consolidated Gold Fields



Newmont may lose white knight guard

By Roderick Oram in New York

NEWMONT MINING, once one of North America's premier diversified mining houses, will move soon from the 36th floor of New York's prestige Pan Am building to offices in Denver more appropriate to its narrower vision and straightened circumstances.

To compound its problems, it may soon lose the protection of its white knight if Minorco wins control of Consolidated Gold Fields and fulfils its threat to sell some or all of Gold Fields' 49.7 per cent stake in Newmont.

Wall Street is unclear how the gold titans' battle raging in London will ultimately affect Newmont. Its stock and that of its Newmont Gold subsidiary were virtually unchanged in early trading yesterday at $36 and $34 respectively.

The move to Colorado, and indirectly the Minorco offer, reflect Newmont's deep troubles stemming in part from an abortive $6bn takeover attempt last year by Mr T. Boone Pickens, the Texas corporate raider.

To fight him off, Newmont borrowed heavily to pay $2.2bn in special dividends to its shareholders. It also accepted Gold Fields raising its stake to a near majority, strengthening a relationship which began when the UK group bought into the company in 1981.

Although Newmont has managed to whittle the debt down to $1.6bn, the borrowings still exceed its assets, and debt service is eating profits alive. Its shares have been selling at a deep discount to other mining stocks and to those of Newmont Gold, its 90 per cent subsidiary which holds its most valuable assets.

Disturbed that the low market rating made not only Newmont but also Gold Fields more vulnerable to takeover, management of the US group has moved rapidly in recent months to boost Newmont's value. Additional pressure for action also clearly came from Gold Fields.

Newmont is shrinking itself to a gold and coal producer, giving up its last ambitions to be a diversified resources group. It has sold its position in Magma Copper, the last foothold in the mineral on which Newmont's fortune was founded. It has sold its oil and gas assets in the US and in the North Sea, the latter this week for $234m to Clyde Petroleum.

The surviving core consists of half of Peabody Holdings, the largest US coal producer, the majority of an Australian gold producer and, best of all, a huge stake in new Nevada gold acreage which could make it soon the largest gold producer in the US.

The stock market has yet fully to value Newmont on the basis of huge gold profits to come, hence the takeover attempt by Mr Pickens and in part Minorco's interest in Gold Fields. Although Minorco said it might sell some or all of its Newmont Mining stake, Wall Street was wondering if it might try to keep Newmont Gold for itself.

Unionists hit at 'apartheid beneficiaries'

By Jim Jones in Johannesburg

LEFTWING trade unionists in South Africa declare a plague on all the mining houses. While mining executives espouse liberal views in public, detractors argue that the gold companies benefit uniformly from racial segregation, cheap labour and a comparatively non-unionised workforce.

Taken in isolation, that view is correct. However, in the racially-charged South African context, some houses stand out as forces for change more than others. The contrast between the Anglo American group and Gold Fields of South Africa (GFSA), the last British-controlled house, is marked.

When black mining unions were legalised five years ago, Anglo permitted union membership and provided facilities for union meetings and officials. About 89,000 or 55 per cent of its black gold miners are members of a union.

GFSA has resolutely deterred black unions from recruiting on its mines. During negotiations with other houses on setting wages for the industry, its approach is based on awarding skilled miners increases which recognise their scarcity. Anglo and its associates generally award greater percentage increases to the lower paid.

ON THE day of the Minorco bid, Mr Gavin Relly, chairman of Anglo American, was addressing a West German audience on the dangers for South Africa if more international companies disinvested.

Under the Minorco offer, Gold Fields would sell its 38 per cent in Gold Fields of South Africa, which owns the country's two richest gold mines.

However, Mr Relly denied during questions that this added up to disinvestment. He drew a distinction between a purely financial transaction and one which "cut off the sinews of technology."

Last year, however, more than half Anglo's gold production was halted during a three-week strike by 300,000 black miners, while GFSA's mines were virtually unaffected. The stoppage brought violence into the black mine compounds as union men battled with others wanting to work.

Anglo management took a harder line and when talks failed to bring about a settlement, Anglo ended the dispute by dismissing thousands of strikers. They were sent back to their homes and, according to some independent observers, blacklisted by mineowners

The dismissals enfeebled the black National Union of Mineworkers. Its membership dropped by about 80,000 and has only recently recovered to its 350,000 pre-strike tally.

Conditions on the mines paint a stark picture of apartheid in action. Last year, the Chamber of Mines, the employers' body, stopped publishing details of black and white wages. But in round figures, the average black miner earns R470 (£113.50) a month, less than one-fifth of his white colleague's average pay.

Working conditions are more dangerous for blacks than for whites. The fatality rate per thousand black employees is about 2.5 times that of whites.

The mining companies argue that black wages are supplemented by free accommodation, food and recreational facilities. But this, the union replies, costs far less than if blacks were given the subsidised family housing provided to white miners.

Most black miners are migrant workers who live in single-sex compounds on the mine and send their wages home to their families, most of whom live in impoverished rural areas and are wholly dependent on the breadwinner.

Black wages have been rising at a greater rate, and blacks could soon move into the better paid supervisory underground jobs until recently reserved for whites. Anglo has trained a few hundred men for these jobs but bureaucracy still obstructs their appointment.

Conditions are unlikely to change materially in the near future. None of the mining houses has a black executive director on its board, though some, including Anglo, have appointed blacks to non-executive positions. The boards of GFSA and its mines are all white.

Last year, Anglo began handing out shares to its employees. Everyone working for the group's mines and industrial companies was offered five free Anglo shares over each of the next five years.

About two-thirds of the group's workforce signed up to accept, and those who did recently received a dividend cheque for R8.13 – not much, but the start of an exercise Anglo believes necessary to persuade black workers that private enterprise does not equate with apartheid.

UK COMPANY NEWS

FKB in £52m expansion with three acquisitions

By Ray Bashford

FKB GROUP has made another drive into the domestic and international sales promotion business with three acquisitions which could have a total price tag of £51.9m.

The company also announced that it plans to raise £14.4m net through the issue of 6m ordinary shares at 258p, compared with a closing price of 260p. The shares have been placed with institutional investors but shareholders have the right to claw-back the shares on a three-for-ten basis.

The three acquisitions have an initial price of £17.7m, comprising £15.9m cash and loan notes and £1.8m in ordinary shares. Each deal carries an earn-out clause which could lift the total consideration of £51.9m.

The US purchases are of ACC, a Manhattan-based marketing services group with an Over the Counter listing and DAD, a Nashville direct mail and marketing group.

FKB last March signalled its intension to move heavily into the US as part of an international expansion when it made four acquisitions for £32.7m.

Directors said that these earlier acquisitions had been fully integrated and that they are achieving expected performance levels.

FKB is aiming to achieve half of group income during the the "foreseeable future" from US operations, directors said. The maximum purchase price for ACC is $52.5m (£31.4m) after an initial payment of $5.5m. The additional payments will be made based on ACC's profits until the end of 1992.

The company's clients include Bacardi, Citicorp and Quaker and during the year to December 31 the group made pre-tax profits of $3.3m on a turnover of $24m.

Terms of the DAD purchase push the total price up to a possible $53m after an initial $8.4m cash and $2.1m in FKB shares. DAD's last annual pre-tax profits were $1.9m on a $7m turnover.

The British purchase is of BBM, a Bristol-based packaging and display design group.The total consideration could be £7.5m from a first stage payment of £2.1m, comprising £1.6m in cash and the remainder in FKB shares.

BBM's pre-tax profits for 1987 were £419,000 on a turnover of £1.9m.

Rockware advances to £4.5m

By Clare Pearson

ROCKWARE GROUP, the bottle manufacturing company which announced last week that Mr John Biffen, a former Cabinet Minister, was joining the board, increased pre-tax profits by 59 per cent to £4.56m in the six-months to end-June. Turnover rose from £72.43m to £87.30m.

Sir Peter Parker, chairman, said the 1988 outlook for the group, which also has interests in paper and printing and plastics, was encouraging against the background of a sustained recovery in the European market for glass containers. Helped by greater capacity utilisation from two new furnaces, the glass division lifted operating profits to £2.11m (£1.72m).

Within the paper and printing division, operating profits were sharply higher at £1.3m (£742,000). The figure included a contribution from three business forms companies bought in the second half of 1987.

Plastics, where profits were held back last year by research and development spending, suffered this year from rising raw materials costs. The division provided operating profits of £819,000 (£776,000) on turnover of £14.24m (£10.49m). The minority stake held by Wheaton Industries was bought out for £1.2m in July.

With small contributions from engineering and sales of technical services, and after central costs, operating profits totalled £3.93m (£3.08m). There was a £1.27m (£669,000) exceptional credit, mainly relating to reduced contributions to pension schemes. Interest charges fell to £761,000 (£969,000). A £3m debenture has been redeemed.

Earnings per share came out at 2.94p (2p). The interim dividend is set at 1p (0.365p).

● COMMENT

Until somebody invents a really cost-effective non-glass jam jar or instant coffee container, the current equilibrium in the glass industry should continue. Not wishing to miss out on it, Rockware wants to be stronger in this area, but less dependent on it. Glass infact provided the dynamism behind these figures, as improvements in productivity came through. But from next year its contribution is likely to stabilise as the company resumes the treadmill of *rebuilding its furnaces*, and more reliance will be placed on the companies brought in as part of the diversification strategy. These are not without their vulnerabilities, as the downturn in plastics margins shows; paper and printing put in a solid performance this time, although the core of the division, the Ken Stokes Group, has proved somewhat disappointing in the past. A prospective multiple of 9 or a little more, assuming pre-tax profits of between £11.5m and £12m for the current year, seems about right.

Profits strengthen in property

By Paul Cheeseright, Property Correspondent

THE TREND towards sharply increased profits among the quoted companies of chartered surveyors and estate agents was accentuated yesterday when both Connells and Herring Son & Daw announced interim rises of 50.2 per cent and 99 per cent respectively.

The strength of the commercial property market has come through both in terms of the commissions the companies have been earning on leasing and sales transactions, and from their professional work such as rating and valuation.

Meanwhile, the larger unquoted surveying practices and the smaller quoted practices with access to capital from the market have been expanding through takeovers.

A succession of acquisitions, largely of companies specialising in a particular geographical or professional area, has enlarged the commercial side of Connells' business.

With the recent purchase of Shearer Harris, retail property specialists, the group is now drawing half its revenue from commercial property.

Herring Son & Daw, which received a listing last May, has two sets of negotiations running that might lead to a new *acquisition*. And this month Savills, in its first purchase since its listing in July, has acquired Davies and Millett, building surveyors, while de Morgan acquired Retail Group, a retail consultancy.

Connells, which has the highest market capitalisation in the sector, lifted pre-tax profits to £4.96m (£3.3m) in the six months to end-June.

Herring Son & Daw, in its first figures since quotation, had pre-tax profits of £939,000 (£494,000) in the six months to July 31.

The indications for the second half, offered by the chairmen of the two companies, suggest that the strong profits growth will continue.

These indications fit in with general estimates on the health of the commercial property sector. Although there have been hints of consolidation in the City of London market, the outlook elsewhere is seen as bullish.

Meanwhile, Connells, after posting earnings per share of 16.14p for the first half is proposing an interim dividend of 3p, compared with 2.5p last time and total payments for 1987 of 8p. Herring Son & Daw had earnings per share of 6.83p and declared an interim dividend of 1.5p. Its dividend payments for the year to January 1988 were 2.74p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims— Allied Insurance Brokers, Comprehensive Serve, Haden MacLellan, Liberty, Harvey & Thompson, REA, Sykes Picks, vert. Final— Miller & Santhouse.

FUTURE DATES

Interims—	
Chartwell	Oct. 3
Early's of Witney	Sept. 28
Martin (Albert)	Oct. 5
Pitt	Sept. 30
Plenty	Oct. 3
Scott Cowells	Oct. 7
Tiptreeset	Sept. 30
Unigate	Nov. 15
Waste Bagles Barrie	Sept. 29
Finals—	
Bailey (Ben) Construction	Sept. 28
EFM Dragon Trust	Sept. 27
Harvey & Thompson	Sept. 28
Star Computer	Sept. 28

Strong all-round growth lifts Baltic 69%

STRONG growth in all of its three core areas lifted pre-tax profits at Baltic by 69 per cent from £3.2m to £5.4m in the six months to June 30. Turnover advanced by 84 per cent from £12.42m to £22.83m.

Asset financing accounted for 66 per cent of operating profits with £8.56m. Property development provided 29 per cent with £3.24m and investment services contributed £0.55m.

Mr Michael Goddard, chairman, said the interim results reflected a portion of the profit from the disposal of the company's development in the London Docklands, the balance would be taken in the second half when building work would be completed and the tenant in occupation. The developments in Trafford Park and Telford were expected to be completed in 1989.

Property financing had seen a substantial increase in business and corporate investment activities continued to expand as part of the company's objective to produce higher returns on shareholders' equity.

The interim dividend is raised 20 per cent to 1.44p (1.2p) on basic earnings per 5p share of 9.6p (8.2p).

Sharp growth at Micro Focus

Micro Focus, computer software house, revealed a sharp expansion in pre-tax profits from £124,000 to £922,000 in the six months to July 31.

The outcome was achieved on revenue 48 per cent higher at £10m. However, in dollar terms, the group's predominant trading currency, revenue grew by 54 per cent to $17.1m ($11.1m). Mr Paul O'Grady, chairman, attributed the growth to positive results from the group's COBOL/2 strategy.

Earnings per 10p share worked through at 5.4p against 0.1p for the same period last year.

Antofagasta surges

Antofagasta, industrial holding company with a wide range of interests in Chile, has more than doubled its interim pre-tax profits in its centenary year. The result of £8.66m was boosted by a first-time contribution from the Michilla copper mine. The result for the first half of 1987 was £3.65m.

Turnover surged to £18.94m (£4.91m). The interim dividend is doubled to 4p to reduce further the disparity with the final. Earnings were 21.9p (11.3p).

Laidlaw Thomson

Laidlaw Thomson Group, USM-quoted architectural ironmonger, lifted taxable profits from £578,000 to £616,000 in the first half of 1988 on turnover 24 per cent higher at £13.07m.

Earnings per share declined to 5.91p (7.33p) and the interim dividend is set at 1.62p (1.54p).

Sindall at £437,000

William Sindall, building and civil engineering contractor, boosted pre-tax profits from £175,000 to £437,000 in the half year to end-June.

Turnover rose 29 per cent to £27.68m (£21.44m), and earnings per 5p share improved to 6.18p (2.7p). The interim dividend is lifted to 1p (0.6p).

Hornby growth

Interim pre-tax profits rose by 13 per cent from £483,000 to £546,000 at Hornby Group, USM-quoted toy and hobby product maker and distributor.

Turnover for the six months to June was 8 per cent ahead at £6.99m (£6.49m). Historically, the second half contained the bulk of turnover and profits, Mr Jack Strowger, chairman, said.

Earnings per 5p share came out at 4p (3.5p). As usual, there is no interim dividend.

Hampden Homecare

Hampden Homecare, Belfast-based home improvement store operator, increased pre-tax profits from £436,000 to £487,000 for the 24 weeks ended June 18. Turnover was £8.87m compared with £8.06m.

The interim dividend is *unchanged at 0.5p, payable* from earnings per 10p share of 3.18p (2.84p). The company's shares are quoted on the USM.

T & S rises 34%

T & S Stores increased profits by 34 per cent and sales by 73 per cent in the 26 weeks to July. The pre-tax result for the period was £1.42m, against £1.06m. Turnover advanced from £37.01m to £64.1m. The interim dividend is raised to *1p (0.8p)* on earnings per 5p share of 4.88p (3.912p).

Rationalised APV turns in 30% midway profit growth

By Philip Coggan

APV, the food and beverage processing equipment manufacturer, yesterday announced a 30 per cent increase in pre-tax profits from £16.2m to £21m for the six months to June 30.

Last year, APV merged with Baker Perkins, the Peterborough-based engineering group, and briefly changed its name to APV-Baker.

It also acquired Pasilac, the Danish dairy equipment company.

Following that purchase, the group was restructured substantially into nine prime manufacturing subsidiaries and ten distribution units round the world.

Mr Fred Smith, the chief executive, said yesterday that a substantial amount of rationalisation had occurred with the group now occupying only 3m sq ft worldwide, compared with 5m sq ft earlier. All the subsidiaries are now profit-making, he added.

The group's plate heat exchanger manufacturing plant has been moved from Crawley in Sussex to North Carolina in the US, as part of its strategy of having key components made on both sides of the Atlantic.

Fred Smith: all subsidiaries now operating profitably.

Property in Crawley is being sold, and together with the proceeds of other disposals, that should result in a fall in gearing below 50 per cent by the end of the year.

The group has produced, for the first time, a breakdown of its profits and turnover relating to the industries it serves.

Biggest profits contribution came from liquid foods industries, which made £9.9m on turnover of £164.7m.

Dry foods earned £7.8m on £131m, and non-foods recorded profits of £7.6m on turnover of £78m.

Group turnover for the half was £374m (£298m). After tax of £6.9m (£6.1m), earnings per share were 4.8p (4.4p). The interim dividend is being increased to 1.6p (1.4p).

● COMMENT

Food manufacturing may be a mature market, but world demand for food is unlikely to fall and the pressure is on the *manufacturers to improve* their margins by using the best processing equipment. That should be good news for APV, which already expects its end year order book to be £100m up on last year. With a good geographical spread and with rationalisation benefits coming through, APV is in a strong position; pre-tax profits of £52m this year would put the shares, up 5p to 121p yesterday, on a prospective p/e of 10 but that should fall to an attractive 8.5 if profits reach £62m next year.

Food Industries turns in I£2.6m

Food Industries has achieved turnover of I£49.98m and profit before tax of I£2.57m (£2.2m) in the six months ended June 30 1988.

Control of this Dublin-based company was purchased by Goodman International a year ago, and it injected its non-meat interests into it.

Comparative turnover and profits are shown as £2m and £92,000. The interim dividend is 1.3p (1.1p).

The directors expressed confidence that the rate of progress would be maintained for the rest of the year. Newly acquired operations had been turned round and all divisions were operating profitably.

In food storage loss-making operations were closed.

Wm Morrison at £13.8m as stores rise to 40

IN SPITE OF a fall in operating margins, Bradford-based Wm Morrison Supermarkets increased pre-tax profits by more than 19 per cent, from £11.59m to £13.84m, in the six months ended July 30 1988.

Turnover rose 24 per cent to £275.86m, with 16 per cent of that from new stores, 3 per cent from inflation and over 5 per cent from existing stores.

Staff costs and overheads were higher, and depreciation charge was up nearly 87 per cent reflecting new investment.

Mr K Morrison, chairman, said capital expenditure in the period was £36m and a high level of spending will continue for the foreseeable future.

At July 31 the group operated from 40 stores with a total area of 1.2m sq ft, and the target of 50 stores by the end of 1990 will be achieved.

In order to sustain the expansion, arrangements had been concluded to increase the multi option facility from £70m to £100m and also to set up a £100m sterling commercial paper programme.

Operating profit in the half year rose 11.5 per cent to £13.13m.

There was net interest receivable of £1.33m (£330,000), being interest capitalised £1.94m (£1.69m) less payable £610,000 (£1.36m).

Organic growth lifts Close Bros to £6.43m

ORGANIC growth in all its main divisions increased annual pre-tax profits at Close Brothers Group by 89 per cent from £3.41m to £6.43m.

Earnings per share for the group, which is involved in merchant banking and investment operations, rose 38 per cent from 7.99p (adjusted) to 10.99p.

Total assets at the end of the year to July 31 1988 were £193m (£121.2m) and 162p (127p) per share.

The directors said Close Asset Finance had a very strong first full year's trading, with £19m lent. Century Factors made record profits and corporate finance fees had their twelfth successive annual increase.

Prompt, the insurance premium financing product, saw a rapid increase.

Also during the year there were £1.4m capital gains when the stock market fell 21 per cent, a £30m development capital fund was launched and specialist operations began in the UK mortgage market.

The directors propose to raise the final dividend to 3.35p (2.9p), for a total of 5p (4.4p).

George Oliver flat

A marginally increased retailing deficit, reduced profits from property sales and higher interest charges resulted in sharply lower profits at George Oliver (Footwear) in the seasonally poor first half of 1988.

Turnover rose 35 per cent to £41.39m, but pre-tax profits sank to £62,000 against £578,000 last time. The interim dividend is lifted to 2.6p (2.2p).

Bentalls up 14%

Bentalls, department store group, lifted pre-tax profits 14 per cent to £1.16m in the half year to July 30 1988. Turnover rose 7 per cent to £33m. Earnings were 1.67p (1.5p) and the interim dividend is 0.55p (0.5p).

UK COMPANY NEWS

Tank development and delayed disposals cut Vickers profit

By David Waller

VICKERS, diversified defence and luxury car manufacturer, yesterday reported a 3.9 per cent fall in pre-tax profits to £24.5m for the first half of the year. Earnings per share fell by 5.7 per cent to 6.6p.

Sir David Plastow, chairman, blamed the downturn on two factors: the cost of funding the development of the Challenger 2 tank, which Vickers hopes will replace the British Army's ageing fleet of Chieftain tanks, and the unexpectedly long time it took to dispose of the group's interests in furniture.

Although the figures below City expectations, the shares rose 10p to close at 165p, mainly because of the optimism expressed by the chairman on the Challenger order.

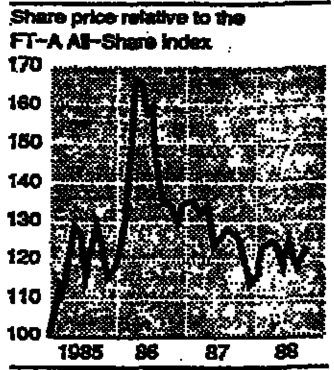
Vickers sold off its furniture interests in two parts for a total of £44.5m. Negotiations with the buyers went on longer than expected, and profits suffered as a result.

The company said that sales of Rolls-Royce motor cars were up on the first half-year, despite a general downturn in the luxury car market. Marine engineering remained dull and the medical equipment business in the US was depressed.

Overall, turnover rose from £379.6m to £381.5m. The interim dividend is lifted from 2.7p to 2.9p.

Vickers

Share price relative to the FT-A All-Share Index



● **COMMENT**

The increase in sales of Rolls-Royce cars was the only piece of concrete good news in yesterday's interim figures, which were worse than expected. But in the event, Sir David Plastow's optimism on the score of Chieftain 2 grabbed people's attention, and the shares jumped 7 per cent on the day. It is easy to see why: an order from the UK Government should mean business worth £1bn, and would open the door to the much bigger market for tank re-equipment in the Middle East. Furthermore, in the short-term Vickers would be able to write back the unspecified but large development costs which have depressed the first half figures. Without the contract, full-year pre-tax profits could fall to £55m, putting the shares on a multiple of 11. If Sir David is proved right, profits could climb to £65m, and the shares are sitting on a modest p/e of 9.3.

All-round growth sees Bridon up to £7m

By Fiona Thompson

BRIDON, Doncaster-based wire rope manufacturer, yesterday reported profits 35 per cent ahead at £7m for the six months to June 30.

The advance from £5.2m was made on sales of £108.5m, an 11 per cent rise on last year's £97.6m. Earnings per share rose from 5.6p to 8.6p.

All four divisions reported increased profits. British Ropes was the main contributor in the European division, which saw profits up from £2m to £2.4m, reflecting the better market for wire and pre-stressed concrete strand for the construction industry.

The fibres division saw profits rise from £800,000 to £1.1m, with margins restored on polypropylene products. The North American division, Bridon American, returned to the black with a £100,000 profit after last time's £800,000 loss.

On the international side, profits were up from £400,000 to £700,000.

Finance charges increased from £1.3m to £1.5m and tax took £2.2m (£2.1m). An interim dividend of 2p (1.5p) was declared.

● **COMMENT**

This year is looking to be one of recovery for Bridon following its fierce rationalisation programme of the recent past. These figures benefited to the tune of about £1m from the 330 redundancies at British Ropes in 1987, and the second half should show a £1.5m boost following the 285 jobs which went in this first half. However, the company still faces the major problem of overcapacity in the industry and a decline in its traditional markets, such as shipbuilding and coal mining. It is seeking out new customers, such as providing steel wire ropes for ski lifts instead of wires for British Coal's lifting gear, but the fundamentals still worry some. On a full year forecast of £14m, the shares, down 3p to 181p, are on a prospective p/e just over 9, expensive.

Boddington at £6.68m in period of change

By Lisa Wood

PRE-TAX PROFITS rose 9 per cent to £6.68m at Boddington, Manchester-based brewer, in the half year to July 1988.

In reporting the results, Mr Ewart Boddington, chairman for nearly 19 years, also announced his intention to retire in January.

He will be succeeded by Mr Denis Cassidy, a non-executive director of the brewery who was a former chief executive of BhS and former deputy chairman of Storehouse. Mr Cassidy said he would bring to Boddington his wide experience in retailing.

Boddington's share price fell 3p to 146p on the results announcement. It has been seeking, like other regional brewers, to reduce its dependence on ales and expand other activities such as retailing.

Turnover of £45.22m for the half year showed an 4 per cent increase on last year.

Trading profits at £6.78m were up by 7 per cent. Property profits of £1.31m, compared with £1.01m, helped bolster group profits before interest and tax. Interest charges rose from £1.39m to £1.54m.

Basic earnings per share increased 7 per cent to 5.36p (4.99p). The interim dividend is raised from 1.47p to 1.58p.

Mr Boddington said the first half had been a period of change, reflecting the group's determination to reposition itself.

On the brewing side, Oldham Brewery, one of the three breweries, had been closed, distribution had been contracted out to TNT and new racking facilities put in.

Beer volumes, in the difficult north-west market, fell by 4 per cent, a trend which was exacerbated by Boddington's strategy of refurbishing traditional pubs. One week's delivery was lost by a strike due to the contracting out of distribution.

There was significant growth at the 16 Henry's Table restaurants through the opening of new outlets, with four more to be opened by the year-end. The two Village Leisure Hotels, acquired in June 1987, contributed to profits after finance costs.

● **COMMENT**

Britain's regional brewers are striving to adapt themselves to a changing marketplace. Boddington, slower than most to recognise the need to change, has the additional problem of being located in the north-west, an unemployment blackspot. Changes, such as the closure of the Oldham brewery and substantial investment in Henry's Table, are being achieved, but the impact on profits will not work through until next year. Analysts are forecasting about £15.1m for the full year, giving a prospective p/e of 13.7 times.

Strong & Fisher up to £7.81m

By Nikki Tait

STRONG & FISHER, fashion leather group, yesterday announced pre-tax profits up from £6.06m to £7.81m in the 12 months to June 24. The increase was scored on sales of £110.7m, compared with £70.6m last time.

The company said that sales were boosted by one-off stock disposals from the Gomshall Group – part of the Vestey family's Union International interests which Strong bought in September 1987. Within the total, £67.6m emanated from leather and £43.1m from other sales.

The pre-tax figure came after an interest charge of £2.76m (£1.78m). By the year-end Strong said that gearing was 55 per cent.

Despite the profits increase, tax was held at £1.8m (£1.89m).

Strong said that certain tax losses came in with acquisitions, and expects the charge to be somewhere between 25 and 30 per cent for the next couple of years. Earnings per share were 32.7p (27.5p).

Strong is currently launching a new range of water repellent and stain resistant suede – which, it maintained, would give it a market lead over its rivals.

● **COMMENT**

Any sensible assessment of Strong's figures is rendered hopeless by a refusal to split out the impact of acquisitions – in particular, the contribution made by the businesses bought from the Vestey family – or to specify organic growth. For what it is worth, the Union businesses were making full-year profits before interest of £1.8m in 1986. That said, Strong's upmarket fashion niche makes it a very different creature to Pittard Garnar, the UK's other quoted leather group and this, together with the timing of its buying, seems to give considerable protection against raw material prices gyrations. Product-wise, Strong is extremely optimistic, and technical advances can only enhance the market among the world's well-dressed. However, even analysts confess that forecasting is difficult, and a rising tax charge – albeit slowly – is scarcely a plus. One broker yesterday was brave enough to suggest £10m in the current year, which might give a p/e of about 6.5 – but it is all closer to astrology than analysis.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Antofagasta	int	4	Nov 4	2	-	10
APV	int	1.8†	Nov 7	1.6	-	4.2
Baltic	int	1.44†	Oct 21	1.2	-	2.8
Benson Group	fin	0.7	Jan 2	0.5	0.7	0.5
Bentalls	int	0.55	Nov 11	0.5	-	3.15
Bilston Enamels§	int	1.5	Nov 2	1.5	-	4.2
Boddington	int	1.58	Nov 2	1.47	-	3.97
Bridon	int	2	Dec 9	1.5	-	6
Central TV	int	6	Nov 10	5	-	22
Close Brothers	fin	3.35	Oct 26	2.9	5	4.4*
Connells	int	3†	-	2.5	-	8
Filofax §	int	0.75	Oct 24	0.75	-	3.25
Haggas (John)	fin	3†	Nov 28	2	4†	3
Hampden Home §	int	0.5	Nov 24	0.5	-	1.8
Herring Daw	int	1.5	-	-	-	2.74
Kitty Little §	int	0.5	-	-	-	-
Laidlaw Thomson¶	int	1.62	Nov 11	1.54	-	4.79
Logica	fin	1.6†	Nov 9	1.2	2.3†	1.7
Morrison (Wm)	int	0.55	Nov 7	0.5	-	2
Multitone Elect	fin	0.1	Nov 11	0.1	-	0.1
Oliver (George)	int	2.6	Oct 28	2.2	-	12.5
RMC	int	4.6	Dec 1	3.5	-	11
Rockware	int	1	Dec 9	0.365	-	1.49
St David's Inv	fin	6.5	Oct 31	4.6	10	7.1
Sindall (Wm)	int	1	-	0.6	-	3.1
Spring Ram	int	0.2	Dec 9	0.182	-	0.55
Strong & Fisher	fin	8.3	Nov 30	7	12	10.5
Systems Reliab	int	nil	-	1.7	-	5
Tor Inv Income	fin	14.4	-	11.86	21	17.46
Tor Inv capital	fin	2.1	-	1.746	2.1	1.746
T & S Stores	int	1	Nov 25	0.8	-	2.1
Vickers	int	2.9	Nov4	2.7	-	6.7
Waterman Partner	fin	1.5	Nov 18	-	1.5	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Rover minority sell to BAe

By Kevin Done, Motor Industry Correspondent

ROVER GROUP'S doughty minority shareholders finally threw in the towel yesterday and agreed to sell out to British Aerospace, clearing the way for the aircraft and weapons maker to take 100 per cent ownership of the previously state-controlled car group.

At a meeting described by Mr Graham Day, Rover chairman and chief executive and newly appointed BAe board member, as "special and historic" the rump of private shareholders brought down the curtain on the most troubled era in the British motor industry.

Most of Rover Group's aged shareholders first acquired their stakes in the British motor industry in the earlier guises of Rover and British Leyland before the old marques such as Austin, Morris, Wolseley, Riley, Standard, Triumph, MG, Rover and Jaguar were all gradually merged into the perennially loss-making British Leyland.

Mr Noel Falconer, self-styled chairman of BLISS (British Leyland Individual Shareholders Society) was one of 150 shareholders to attend the meeting.

BAe had already acquired 99.8 per cent control of Rover for £150m or 2.7p a share in August along with the dowry of £547m in Government aid to wipe out much of the car maker's debt.

It had to wait until yesterday for the final scene, however, to see whether its sugared offer of £1 per share – worth in total £12.8m – would prove sufficient to persuade Rover's remaining 60,000 private shareholders to give up their sentimental ties with the company.

The final result was 8,276 shareholders holding 3.14m shares in favour, with only 89 shareholders representing 53,338 shares against.

Systems Reliability downturn

By Philip Coggan

SYSTEMS RELIABILITY, the telephone systems and computer dealing company being revamped by Hillsdown Investment Trust, yesterday announced pre-tax profits down from £1m to £367,000 for the first half of 1988, together with a major acquisition.

The company was reorganised earlier this year when HIT, an investment subsidiary of the Hillsdown Holdings food group, reversed Fletcher Dennys Systems, a loss-making computer dealer, into the group.

Following the merger, Mr Michael Teacher, of HIT, became chairman and the group has been rationalised. Loss-making activities in Australia and South Africa have been discontinued and there was an exceptional debit of £195,000 relating to UK reorganisation. Continuing activities made profits of £727,000.

Fletcher Dennys was only included for part of the period and contributed little. Group turnover was £9.06m (£5.95m) and earnings per share were 0.54p (5.53p). There is no interim dividend (1.7p).

Systems also announced the acquisition of Essex & City, a Chelmsford-based computer dealer which made £845,000 on turnover of £13m in the year to April 30 1988. The initial payment is £3m in shares, with further payments based on a multiple of 5.2 times this year's pre-tax profits.

As a result of the share issue, HIT's stake will be diluted to around 22 per cent.

Mr Teacher said that the acquisition of Essex meant that, together with Fletcher, the group would have very good coverage within the M25 area.

Systems' shares fell 2p to 108p.

Prestwich considers buy-out

By Nikki Tait

SHARES IN Prestwich Holdings, consumer electronics and entertainment group, jumped 19p to 140p yesterday on news that directors were considering a management buy-out for the entire company.

Prestwich is the latest in a line of companies to announce that it is contemplating such an idea. Earlier this year, Mr Richard Branson's Virgin Group made a similar announcement, while two smaller companies, Glass Glover and Dwek Group, have actually gone ahead with such schemes, effectively taking their businesses private.

In this case, Prestwich said the notion developed a couple of months ago, that a feasibility study has been prepared and that preliminary discussions have taken place with potential sponsors.

Yesterday, Mr Philip Keane, the Prestwich director who is leading the possible buy-out team, said that the idea had been born from a feeling that the company's market rating was unsatisfactory. He said that, if the scheme worked out, all the executive directors planned to be part of the buy-out team, together with one existing non-executive director.

He added that the plan envisaged Mr Paul Levinson, the company's chairman, participating in the scheme, but then taking on an advisory role. Mr Levinson effectively transformed Prestwich when he injected his privately-owned media rights company into the former nuts and bolts manufacturer in 1984. He currently holds around 16 per cent of Prestwich shares and, despite participating in the buy-out, would end up with a net cash sum.

Mr Keane added that he hoped matters could move on in "weeks rather than months". In total, directors hold just under 20 per cent of the shares; Norwich Union has almost 7 per cent and the Prudential just under 5 per cent.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Nervous tone depresses sterling

STERLING EDGED lower in currency markets yesterday, as investors adopted a defensive stance ahead of next Tuesday's release of UK trade figures for August. Most forecasters expect an improvement from July's record current account deficit of £2.15bn. But investors are understandably cautious, especially in view of recent comments by Mr Nigel Lawson, UK Chancellor of the Exchequer, when he suggested that trade data is likely to be one of the last economic indicators to show an improvement, after the recent rise in interest rates.

Against this background, the pound edged lower, and broke through a key support level of DM3.1375. It finished at DM3.1325, down from DM3.1400, and Y224.50 against Y224.75. Elsewhere it closed at SFr2.6475 from SFr2.6525 and FFr10.6650 against FFr10.6725.

Sterling was also lower against the dollar, finishing at its worst level since mid-July at $1.6675 from $1.6755. On Bank of England figures, its exchange rate index slipped to 75.1 from 75.2 at the opening, and 75.3 on Wednesday night.

The dollar retreated from the day's highs, after intervention by central banks. The US unit opened on a slightly firmer note, and broke through resistance at DM1.8770, in quiet trading. Earlier concern that a further rise would provoke central bank intervention was proved correct during the afternoon, as the Bundesbank and the US Federal Reserve Board both sold dollars. The Bundesbank sold $30.7m at the fixing in Frankfurt, when the US unit was quoted at DM1.8770. During the afternoon, it touched a high of DM1.8810, which prompted intervention by the Fed.

The dollar closed at DM1.8790, up from DM1.8745, and Y134.60 compared with Y134.20. Elsewhere, it finished at SFr1.5870 from SFr1.5830, and FFr6.3950 against FFr6.3700. On Bank of England figures, the dollar's exchange rate index rose from 99.5 to 99.7.

Trading volume remained influenced by proximity of the IMF meeting, and discussions among G7 ministers.

The D-Mark eased slightly against the Japanese yen during the morning, opening at Y71.55, down from Y71.59. It subsequently fell to Y71.53, before recovering to Y71.63. Many traders expect the D-Mark to continue to improve against the yen over the coming weeks. The argument suggests that higher Japanese interest rates will hurt domestic bond prices, and may encourage investors to switch into D-Mark denominated paper.

The French franc fell quite sharply after the release of French trade figures for August. These showed a deficit of FFr6bn, over double the revised July figure of FFr4.0bn, and in sharp contrast to expectations of a FFr1.2bn shortfall.

Consequently the D-Mark improved from an opening level of FFr3.3975 to finish at FFr3.4035. The poor performance of the franc increased recent uncertainty about a possible currency re-alignment within the EMS, and dealers suggested that this weekend's meeting of finance ministers will only add to the market's nervous tone.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4579	+2.35	+1.00	±1.5344
Danish Krone	7.85212	7.94707	+1.21	-0.14	±1.6404
German D-Mark	2.05853	2.07356	+0.73	-0.61	±1.0981
French Franc	6.90403	7.04406	+2.03	+0.68	±1.3674
Dutch Guilder	2.31943	2.33778	+0.79	-0.55	±1.5012
Irish Punt	0.768411	0.772942	+0.59	-0.84	±1.6684
Italian Lira	1483.58	1544.87	+4.08	-3.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Sept.22	£	$
[illegible]		
Mexico	3810.00-3830.00	2279.00-2289.00
N.Zealand	2.7170-2.7220	1.6255-1.6280
Saudi Ar.	6.2640-6.2700	3.7500-3.7510
Singapore	3.4085-3.4140	2.0385-2.0405
S.Af (Cm)	4.1455-4.1480	2.4800-2.4815
S.Af (Fn)	6.6200-6.7535	3.9605-4.0405
Taiwan	48.30-48.55	28.90-29.00
U.A.E.	6.1345-6.1405	3.6725-3.6735

*Selling rate

EXCHANGE CROSS RATES

Sept.22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
H Fl.	0.283	0.472	0.887	63.54	3.020	0.750	1.	661.8	0.575	18.57
Lira	0.428	0.713	1.340	96.02	4.564	1.133	1.511	1000.	0.869	28.06
C $	0.492	0.821	1.542	110.5	5.251	1.303	1.739	1151	1.	32.28
B Fr.	1.524	2.543	4.776	342.2	16.27	4.037	5.386	3564	3.098	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Fears of renewed selling

FUNDAMENTAL AND technical considerations led to the conclusion that sterling interest rate contracts may be exposed to selling today, according to dealers on the Liffe market.

Sterling contracts appear exposed because of concern about rising money supply growth, after yesterday's Bank of England bank return statistics, and fears of another set of bad trade figures in August.

The trade figures will be published on Tuesday, and the approach of these, coupled with technical worries regarding sterling, have created a nervous mood which may turn into a move to sell.

Prices of short sterling and long gilt futures were little changed yesterday, after Wednesday's bout of selling as it appeared that the mood of euphoria on Tuesday's bank lending announcement had been overdone.

Traders pointed out that sterling closed below technical support levels of $1.67 and DM3.1375 yesterday, and that this may have a detrimental impact on the futures market today.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
88	616	651	2	5
90	419	461	5	15
92	230	321	16	39
94	106	201	56	119
96	23	108	209	226
98	7	35	357	353
100	2	15	552	533

Estimated volume total, Calls 2165 Puts 864
Previous day's open int. Calls 18370 Puts 21464

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
82	625	624	11	46
84	436	452	22	110
86	259	328	45	150
88	139	221	125	243
90	52	132	237	354
92	21	61	407	519
94	10	37	560	659

Estimated volume total, Calls 420 Puts 220
Previous day's open int. Calls 6464 Puts 3113

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
16500	1290	1478	0	8
17000	790	1009	0	39
17500	293	602	3	132
18000	9	303	219	335
18500	0	124	710	654
19000	0	40	1210	1070
19500	0	11	1710	1541

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 4 Puts 111

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
150	—	—	—	—
155	1195	1195	0	11
160	695	695	11	63
165	263	326	105	214
170	55	120	397	508
175	5	32	847	920
180	0	6	1342	1394

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 476 Puts 2710

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9075	70	85	8	21
9100	50	67	13	28
9125	34	50	22	36
9150	21	37	34	48
9175	12	26	50	62
9200	6	18	69	79
9225	3	12	91	98

Estimated volume total, Calls 0 Puts 50
Previous day's open int. Calls 2622 Puts 3834

LIFFE SHORT STERLING

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8725	77	133	22	21
8750	60	114	30	27
8775	45	97	40	35
8800	33	80	53	43
8825	23	65	68	53
8850	15	52	85	65
8875	10	41	105	79

Estimated volume total, Calls 1733 Puts 870
Previous day's open int. Calls 10745 Puts 11891

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.600	7.05	7.15	7.49	8.02	0.12	0.61	1.43	2.79
1.625	4.68	5.06	5.61	6.36	0.26	1.15	2.10	3.78
1.650	2.68	3.36	4.07	4.98	-	2.01	3.03	4.96
1.675	1.20	2.01	2.83	3.81	2.01	3.14	4.34	6.34
1.700	0.54	1.24	2.00	2.88	3.51	4.65	5.91	7.89
1.725	0.14	0.67	1.31	2.12	5.61	6.54	7.70	9.49
1.750	-	0.30	0.81	1.63	7.94	8.66	9.57	11.34

Previous day's open int: Calls 386,237 Puts 341,217
Previous day's volume: Calls 9,721 Puts 9,773

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.650	2.75	3.65	4.25	5.20	1.20	2.40	3.55	5.60
1.700	0.70	1.50	2.15	3.15	4.05	5.25	6.40	8.50
1.750	0.40	0.70	1.10	1.90	8.65	9.35	10.25	12.15
1.800	0.35	0.50	0.65	1.20	13.60	14.05	14.70	16.25
1.850	0.35	0.45	0.50	0.80	18.60	18.95	19.45	20.70
1.900	-	-	0.50	1.55	-	-	22.50	25.30
1.950	-	-	0.45	1.40	-	-	17.60	20.40

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 211 Puts 192

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	93-29	93-28	93-28	93-27
Dec	94-07	94-14	94-01	94-06

Estimated Volume 11355 (20956)
Previous day's open int. 27750 (28845)

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	88-07	88-11	88-06	88-07
Mar	87-21	87-26	87-21	87-21
Jun	87-06	87-08	87-06	87-04
Sep	86-23	86-23	86-23	86-19
Dec	-	-	-	86-03

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7495	0.7501	0.7494	0.7505
Mar	0.7557	0.7560	0.7554	0.7568
Jun	0.7635	-	0.7635	0.7641

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6675	1.6630	1.6623	1.6389	1.6182

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.6578	1.6586	1.6562	1.6614
Mar	1.6460	-	1.6450	1.6490
Jun	1.6332	-	1.6300	1.6356

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Last	Feb. 89 Vol	Last	May 89 Vol	Last	Stock
[illegible]								
NAT.NED. C	Fl.65	254	1.40	22	3.60	12	5.10	Fl 63.80
NAT.NED. P	Fl 65	22	2	-	-	-	-	Fl 63.80
PHILIPS C	Fl.35	745	0.40	117	1.60	49	2.40	Fl 32.60
PHILIPS P	Fl.30	8	0.30	21	1.20	409	2.20	Fl 32.60
ROYAL DUTCH C	Fl 240	1249	0.70	447	4.50	117	7.80	Fl 224.80
ROYAL DUTCH P	Fl.230	82	6.50	674	9.10	-	-	Fl 224.80
UNILEVER C	Fl.120	134	1.40	107	4.60	7	7.40	Fl 115.70
UNILEVER P	Fl 100	-	-	359	1.50	3	2.50	Fl 115.70
VAN OMMEREN C	Fl.35	-	-	8	0.70	66	1.50	Fl 30

TOTAL VOLUME IN CONTRACTS: 24,265

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk. N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe G'rantee	12½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Banco de Bilbao	12	Exeter Trust Ltd	12½	● Smith & Williamsn Secs.	12
Bank Hapoalim	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Leumi (UK)	12	First National Bank Plc	13	TSB	12
Bank Credit & Comm	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	‡12.75
Bank of Cyprus	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Ireland	12	Girobank	12	United Mizrahi Bank	12
Bank of India	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of Scotland	12	HFC Bank plc	12	Western Trust	12
Banque Belge Ltd	12	● Hambros Bank	12	Westpac Bank Corp.	12
Barclays Bank	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Benchmark Bank PLC	12	● Hill Samuel	§12	Yorkshire Bank	12
Berliner Bank AG	12	C. Hoare & Co.	12		
Brit Bk of Mid East	12	Hongkong & Shangh	12		
● Brown Shipley	12	● Leopold Joseph & Sons	12		
Business Mtge Tst	12½	Lloyds Bank	12		
CL Bank Nederland	12	Meghraj Bank Ltd	12		
Central Capital	12	McDonnell Douglas Bnk	12.5		
● Charterhouse Bank	12	Midland Bank	12		
Citibank NA	12	Mount Bnkg Corp.	12		
		Nat Bk. of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.58% Sanewise 7.16%. Top Tier-£10,000+ instant access 9.0% ‡ Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

Cautious undertone

INTEREST RATES were little changed in London yesterday, but the generally cautious undertone threatened to move nearer the surface as analysts looked at the weekly Bank of England bank return to get an early idea of monetary growth.

Notes in circulation comprise about 85 p.c. of M0 money supply, and on the basis the weekly return it was estimated that year-on-year M0 growth in September will be around 8 p.c., compared with 7.8 p.c. in August.

UK clearing bank base lending rate 12 per cent from August 25 & 26

Economists in the City suggested that if M0 shows growth above 8 p.c. pressure will increase for another rise in bank base rates.

Three-month interbank finished at 12⅛-12¼ p.c. yesterday, against 12⅛-12 p.c. on Wednesday.

The Bank of England initially forecast a flat credit position on the London money market, but revised this to a credit shortage of around £100m at noon.

The authorities did not operate in the market before lunch, but gave total help of £109m in the afternoon. The Bank of England bought £59m bank bills in band 4 at 11 11/16 p.c., and provided late assistance of around £50m.

Bills maturing, and repayment of any late assistance, left a net surplus of £220m. This was offset by Exchequer transactions draining £110m, a rise in the note circulation of £50m, and bank balances below target of £55m.

In New York the Federal Reserve added temporary reserves to the banking system, via a round of four-day system repurchase agreements, when Federal funds were trading at 8¼ p.c.

In Paris the Bank of France left its money market intervention rate at 7 p.c. at yesterday's securities repurchase agreement tender. The authorities allocated FFr37.6bn at the tender, compared with FFr40.6bn leaving the banking system today, as an earlier pact expires.

In Frankfurt call money rose to 4.75 p.c. from 4.65 p.c. in quiet trading, as banks bid for funds to cover the underwriting of a Federal Reserve post office bond on Monday. Tax payments continued to reduce market liquidity.

In Amsterdam call money rose to around 5.50 p.c. from 4.80 p.c., after the Dutch Central Bank provided only Fl 2.70bn through 11-day special advances, at an unchanged 5.25 p.c.

An earlier facility of Fl 7bn expired yesterday, and dealers expected at least Fl 3bn to be provided under the new agreement.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.22) 3 months US dollars		6 months US Dollars	
bid 8⅝	offer 8¾	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½-¾
Fed.funds	[illegible]
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	6.42	Three year	8.50
Two month	7.12	Four year	8.58
Three month	7.41	Five year	8.66
Six month	7.75	Seven year	8.80
One year	7.99	10-year	8.97
Two year	8.39	30-year	9.00

Sept.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.70-4.85	4.75-4.90	4.80-4.95	5.05-5.25	5.00
Paris	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅛-7¼	7⅞-8	7.00
Zurich	1½-1¾	2⅞-3⅛	-	3⅛-3¼	-	-
Amsterdam	5.43-5.56	5.43-5.50	-	5.50-5.60	-	-
Tokyo	3.90625	4.46875	-	-	-	-
Milan	10½-10⅞	11⅛-11⅝	-	11⅛-11⅝	-	-
Brussels	7.30	7⅛-7⅜	-	7⅜-7¾	-	-
Dublin	7-7¼	7⅛-7⅝	7⅛-7⅝	7⅝-7⅞	8-8¼	-

LONDON MONEY RATES

Sept.22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	12	11⅛	11⅞	12⅛	12¼	12¼
Interbank Bid	10	11	11¾	12	12⅛	12⅛
Sterling CDs	-	-	11¾	12⅛	12⅛	11⅞
Local Authority Deps.	10⅝	11¼	11¾	12⅛	12¼	12¼
Local Authority Bonds	-	-	11⅞	12⅛	12½	12½
Discount Mkt Deps.	11½	10⅞	11½	11 13/16	-	-
Company Deposits	-	-	11¾	12¼	12⅜	12⅜
Finance House Deposits	-	-	11⅝	12⅛	12¼	12¼
Treasury Bills (Buy)	-	-	11 7/16	11 11/16	-	-
Bank Bills (Buy)	-	-	11½	11 13/16	11⅞	-
Fine Trade Bills (Buy)	-	-	12⅛	12 3/16	12 3/16	-
Dollar CDs	-	-	11⅛	12⅛	12½	12½
SDR Linked Dep Offer	-	-	7¼	7⅜	7⅝	7⅞
SDR Linked Dep Bid	-	-	7	7⅛	7⅜	7⅝
ECU Linked Dep Offer	-	-	7½	7⅝	7¾	7⅞
ECU Linked Dep Bid	-	-	7⅜	7½	7⅝	7 11/16

Treasury Bills (sell): one-month 11⅜ per cent; three months 11⅜ per cent; Bank Bills (sell): one-month 11¾ per cent; three-months 11 13/16 per cent; Treasury Bills; Average tender rate of discount 11.6348 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug.31, 1988. Agreed rates for period September 26, 1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30, 1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

THE PROPERTY MARKET

Paul Cheeseright looks at the rising fortunes of the National Freight Consortium's Property Group

Profits in the wasteland

NFC Property Group is a child of the current property boom. By historical accident it had significant land holdings in areas which have become commercially attractive, and these have turned it into a retail warehouse developer at a time when traders are rushing to find space.

The group is the property arm of the National Freight Consortium, looking after not only the estate which is the base for NFC operations but using surplus land for commercial development and, now, branching out. "The bent has changed in the last five years from an inward looking to an outward looking programme," says Henry Lafferty, the group's managing director.

But outside the property industry there is no great recognition of NFC Property's activities. Certainly they will become noticed before NFC's Stock Market flotation next year. Until now, points out Marianne Burton of Phillips & Drew, the stockbrokers handling the flotation, NFC property activities have been low key. Yet, she added, "a pretty hefty part of the group's value resides in property."

In the year to October 1987, NFC had pretax profits of £47m, of which the contribution from property came to £5.6m. The property operating profit was £13.6m but £8m of this came from the rents paid to the property group by the BFC operating companies.

Stripping out the internal group transactions, property thus contributes 10 per cent of profits. Mr Lafferty expects this proportion to be maintained during the current year.

But the property group seems poised to earn even more because of the way in which it has developed.

When NFC passed from state control into the hands of the employees in 1982, a main objective was to wring greater value from the property assets. At this stage it had two types of property, described by executives at the time as "generally tertiary to rough." The first category embraced sites on the edges of towns used by British Road Services and Pickfords as depots. The second took in sites usually near railway stations used by National Carriers. The best known of these are at King's Cross and Paddington in London and Temple Meads in Bristol, all of which are now sites for joint venture developments (see right).

These joint ventures should ensure long-term asset growth and will doubtless emerge as a glamour element of the flotation marketing next year. At the moment they hover in the background. The foreground is occupied by activities on the NFC estate relating to the operational companies and by retail warehousing and the diversification out of it.

The NFC Property Group is responsible for meeting the accommodation needs of the NFC operating companies. Thus it has been engaged in a programme to move these companies out of technically obsolete premises. Historically Pickfords worked out of multi-level depositories. Now it needs container warehouses.

Since 1982, the operating companies have been gradually moved to the payment of market rents for the premises they use. This process has not only put NFC costings on a more realistic basis but has thrown up land which can either be sold or redeveloped. It is at this stage that retail warehousing comes in to play. NFC Property Group found itself, especially with the edge-of-town sites, with land that could most valuably be used in meeting immediate market needs.

The growth of retail warehousing has been one of the most striking changes in British shopping habits. Retailers have been rushing to acquire space. Since NFC Property Group became seriously involved in 1983-84, the Healey and Baker retail warehouse rent index (1977 = 100) has risen from under 300 to more than 500.

So NFC Property Group moved into a rising market. Its development programme, excluding joint ventures and work for NFC operational companies, has stretched to £150m and has a potential value nearly double its completed projects so far.

Three things have happened. First, NFC Property Group has mustered sufficient confidence to broaden its area of activities, so that the programme now has an office element.

Second, it has started to look outside its own estate and to compete with companies like Peel Investments and City-grove for contracts, as at Nottingham, and has begun buying land to supplement its own holdings, as at Manchester White City.

Third, in the interests of becoming a balanced property company it has added a trading arm specialising in secondary property, which now has a portfolio worth £12m.

A view across the Regent's Park Canal to King's Cross station, where the NFC Property Group is engaged as developer with Rosehaugh and Stanhope Properties and as a minority landowner, holding nearly 20 acres of the 125 acre site.

The project is new ground for NFC, both in terms of size – the project is the largest of its joint ventures and could be worth £6bn – and in terms of its first joint venture with Rosehaugh and Stanhope. The three companies have already spent more than £10m on the project and expect to apply formally for planning permission to Camden Borough Council in early 1989. Meanwhile they are drawing up a contractual agreement with the landowners, predominantly British Rail.

NFC had been working on King's Cross for five years before its consortium was chosen as developer. One of the reasons it drew in Rosehaugh and Stanhope was to tap their experience of financing large projects. King's Cross will probably be funded in the way Rosehaugh and Stanhope funded Broadgate, their City development – non-recourse bank finance tied to specific phases. Until then, the three companies will have to carry their own costs. Construction, if all goes well with the planning, could start in 1990-91.

More immediately, construction starts this year at Paddington where NFC Property Group has 40 per cent of the Grainhurst consortium. With a £40m facility from Abbey National, the plan is to build 300,000 sq ft of offices, 200,000 sq ft of light industrial and retail space and 315 residential units.

NFC Property Group's third significant joint venture will be at Temple Meads, Bristol, where it plans to develop 500,000 sq ft of offices with Property Trust. But the project is on hold until the establishment of the new urban development corporation in whose territory the site is situated. The corporation will become the planning authority.

These joint ventures, said Mr Lafferty, are part of "a balancing strategy." They are long-term developments which set off the predominantly short-term nature of the group's retail warehouse developments.

TECHNOLOGY

Turning the wheel of engine history

Chris Sherwell reports on the changing fortunes of the innovative two-stroke Orbital engine

Of all the migrant-*made-good* stories which are the stuff of post-war Australia, few are more remarkable than that of Ralph Sarich, inventor of the Orbital engine.

In a series of ingenious steps, Sarich has built a two-stroke, three-cylinder, 1.2-litre engine which develops as much power as a four-stroke, four-cylinder, 1.6-litre internal combustion engine.

Not only that, his engine is half the conventional engine's size and weight. It has fewer moving parts, is cheaper to make and uses less fuel. And, most extraordinarily for a two-stroke, its exhaust emissions are within the modern pollution limits.

In short, at a time when every other concept for improving engine efficiency appears to be getting more complex, Sarich's Orbital combustion process (OCP) engine is offering more simplicity.

The Orbital name sprang from Sarich's first engine idea, in which the pistons rotated, or "orbited". Development has been conducted in unprepossessing workshops in a suburb of Perth in Western Australia.

Sarich and his associates believe that the engine will revolutionise the world's motor and marine engine industries. But this 49-year-old son of Yugoslav migrants, who left school at 16, tried being a fitter and is now a household name in Australia, has yet to convince his countrymen.

Listen, for example, to a Sydney fund manager who prides himself on his ability to pick stocks which will be leaders in five years' time: "Any man who can build a company with a value as high as his without producing anything in 15 years must be a great salesman."

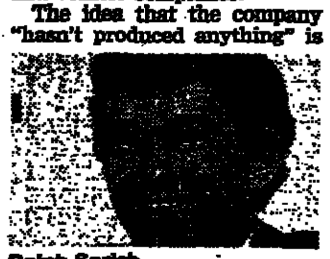
The Orbital Engine Company is half-owned by Sarich Technologies Trust and half by Broken Hill Proprietary (BHP), Australia's largest corporation and the most azure of its blue chips.

Sarich Technologies was floated in 1984 and its 20 cent shares have tended to move in the erratic manner characteristic of speculative stocks. Once as high as A$5.50 (£2.6), they sank to A$1.05 after last October's crash. Yesterday they stood at A$2.20, giving the trust a market capitalisation of A$385m. It ranks among Australia's Top 100 quoted companies.

Sarich owns just over 42 per cent of the trust and his wealth — recently estimated at between A$180m and A$300m — is one reason he arouses suspicion in Australia.

It is also believed that, were it not for BHP's presence, there would not be a shred of credibility for either Sarich or his company. BHP has stuck with him since 1972, when it saw him win the Australian Broadcasting Corporation's televised *Inventors* series. It has invested about A$30m in the project, secured some 360 patents and helped negotiate with the world's biggest engine and vehicle companies.

The idea that the company "hasn't produced anything" is



Ralph Sarich

also a misconception. There may be no commercially produced engine. But you can see, touch and test Sarich's brainchild and drive a car with it.

In June, the Orbital Engine Company achieved its biggest breakthrough: a licence agreement with Ford, its first success with any automobile company, covering all parts of the engine technology and defining royalty and other payments.

On the cards are agreements with General Motors of the US and a large Japanese company, believed to be Yamaha.

The Ford announcement followed similar licence agreements with the two largest US marine engine manufacturers, which are even more anxious to find an emission-free engine before tighter regulations come in. In June 1986, the Outboard Marine Company, maker of Johnson and Evinrude engines and the largest manufacturer of marine outboard motors in the world, signed up. One year later came a deal with Mercury Marine, the world's number two.

In May 1987, Orbital joined forces with Walboro Corporation, the US carburettor and fuel systems maker, to manufacture its fuel injection system. Now Sarich is being courted to set up an Orbital production line by a string of US states, including Michigan, Illinois and Indiana; and at least three states in Australia.

Despite all this, the market reacted nervously to the Ford news. Initially the shares shot up. Then came one negative local newspaper article casting doubt on the announcement and the shares fell back again.

So is the OCP engine really destined to be another failure, like the Wankel rotary engine which eventually cost GM an estimated $1bn (£595m). Or is Ralph Sarich going to turn one of the world's most important industries upside down?

Ken Johnsen, manager of the Orbital Engine Company, points to four innovations in the OCP engine.

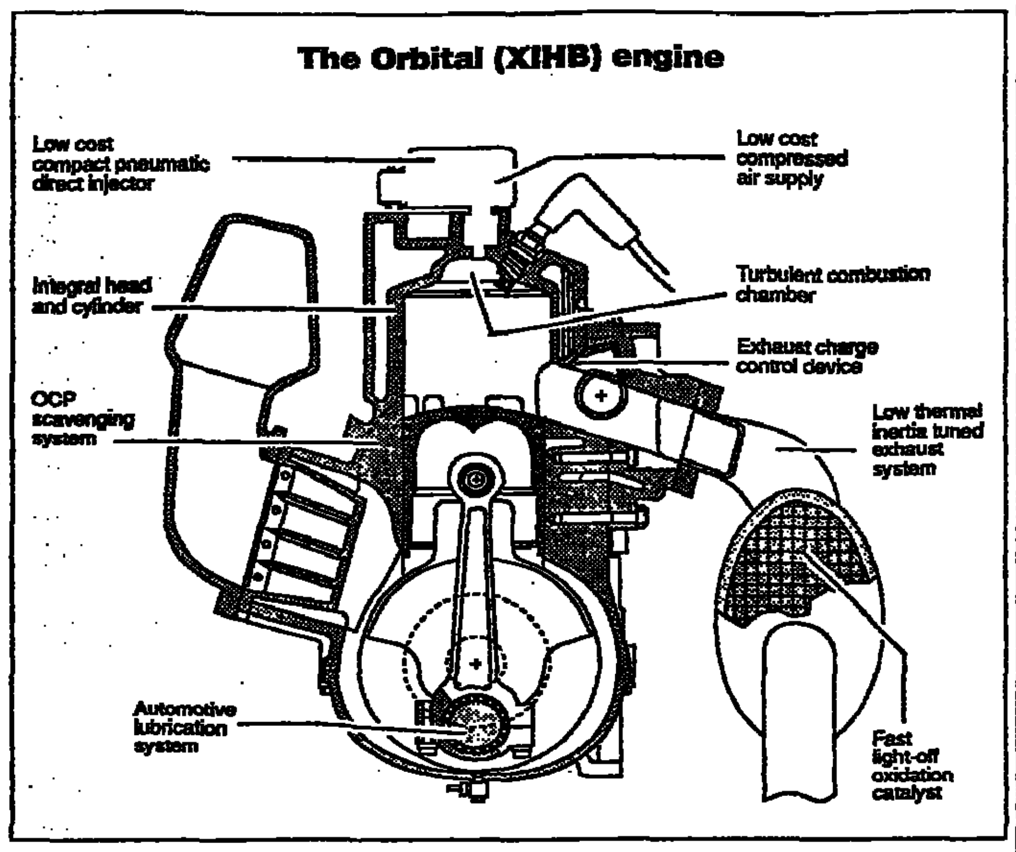
- The fuel injection system.

A conventional injector system normally takes six to 10 milliseconds to inject a fuel and air mixture into the sparking chamber. In the OCP, fuel is injected separately from the air and the process takes just two milliseconds.

Moreover, some 90 per cent of the fuel droplets are less than 10 microns (a micron is a millionth of a metre) in diameter, and thus close to vapour form. In a diesel engine, for example, they are typically between 30 and 60 microns, a size which contributes to the formation of particulates, producing the familiar black smoke of trucks and buses.

The OCP engine's improved fuel injection system embraces two developments: a special nozzle and the use of compressed air as a transport medium for the injected fuel.

- A means of keeping a rich, ignitable mix of fuel and air near the spark plug, and a progressively leaner mix further away.



This produces a layered effect, known as a stratified charge. While it has been achieved in other engines, most conventional engines have a less effective, homogeneous charge. The development allows the engine to operate efficiently at part-throttle as well as full throttle.

- A method of controlling, and thus limiting, the formation and collection of carbon deposits on the injector nozzle.

Little is known about this. Johnsen says simply: "We have patented ways of doing this."

- A way to control exhaust emissions — the most difficult and most important development. If pollution were not a problem, it would be easy to extract all gases remaining after the exploding fuel-air mixture has driven the piston-head downwards.

The Sarich team says it has inserted a valve which varies the rate at which the gases leave. Some is kept in the chamber to burn again, eliminating unburnt fuel.

Another vital element is the precision microprocessor control system, which links air intake, fuel injection, spark timing and exhaust extraction over the full range of acceleration and braking.

Complaints about the time the OCP engine has taken to reach this stage are partly the result of time spent in the early years trying to refine the four-stroke engine. This rotary engine was eventually abandoned in favour of the two-stroke OCP piston engine. The fuel injection and combustion techniques developed on the four-stroke were applied to the two-stroke when work eventually started on it in 1983.

Sarich acknowledges that development of the newer OCP concept has taken longer than he expected. He admits he lacked experience and knowledge of the industry.

Another key factor behind the delay has been his determination to win the best deal possible from the car companies. Convinced he is on to something big, he has refused to succumb to attempts to discover his secrets.

Under their agreements to evaluate the engine, which included options to make and sell it, General Motors, Outboard Marine and Mercury apparently tried — unsuccessfully — to "reverse engineer" it and get round the patents. Now, they have either signed licence agreements or, as with GM, are seriously contemplating it.

Neither side is saying what the Ford deal is worth, but Sarich was known to be holding out for a royalty of $38 per engine — by far the biggest in the industry's history. His argument is that if there are direct savings of about $200 in the engine and another $200 indirectly, its creator deserves a large royalty.

Australia is wondering whether it will benefit from a domestic production plant. A *Government study has shown* such a project would be viable, but Orbital estimates that it would cost around A$100m more than its counterpart in the US. The reasons include Australia's fewer working days per year, dearer component supplies and the need for larger working capital.

The big unanswered question is whether Sarich's technology will be universally embraced. The chance of anyone producing an engine which is half a conventional four-stroke engine's size and weight while improving drivability, fuel economy and emissions must be one in a million.

The chance of such a development being transformed by the same team into a successful business is even less.

Of the sceptics, Sarich says simply that they cannot win, since if he fails, they gain nothing. If he succeeds, however, he will be the one to go down in the history books.

Electronics gives a bird's eye view

John Hunt finds that ornithologists are making the most of modern techniques

High-tech equipment, including satellites and genetic fingerprinting, is transforming the work carried out in the UK by the Royal Society for the Protection of Birds (RSPB).

The traditional birdwatcher who tramps the moors with notebook and binoculars still has an important observational role in ornithology. But modern technology has provided a powerful additional weapon.

Tim Stowe, who has worked for the RSPB on radio telemetry (tagging), says: "It means that we can get a more complete picture of bird behaviour than we have ever had. The alternative would be to have a person watching the nest 24 hours a day."

A radio transmitter the size of a fingernail and weighing 4 grams is attached to the bird's back. A hair-like aerial runs through the feathers and the device gives out bleeps which are picked up by a radio receiver.

It has proved valuable in investigating the habits of the illusive corncrake which conceals itself in dense vegetation. The position and movements of the birds can be gauged by the strength or direction of the radio signal.

The pattern that emerges shows the importance of hay-meadow cover for corncrake chicks during the summer. When the hay is cut, nests are destroyed and chicks killed, so a change in the mowing pattern could save many of these young birds.

An even more ingenious device is a realistic glass fibre egg containing temperature sensors and light detectors. Planted among the real things, it gives data about incubation and the lengths of time that a female stays away from the nest.

Minute electronic balances, resembling a perch, are being used to study the breeding habits of the Artic tern. A comparison of weights gives information about the health of the birds and why populations decline in some areas but not in others.

The US's Landsat 5 satellite, which records infra-red energy reflected from the earth's surface, is being used to survey upland bird populations about which few details are known. Different types of vegetation produce different readings. A computer at the Royal Aircraft Establishment, Farnborough, interprets the data to give visual representations of forest, grassland and farmland.

This can be used to predict the likely habitats of various species in remote areas. A check by observers on the habitats of the dunlin and golden plover in the Flow Country of Caithness and Sutherland, in Scotland, carried out by Mark Avery of the RSPB with the University of Nottingham, confirmed the accuracy of the satellite's predictions.

"This is a very new technique and we regard ourselves as one of the leaders in this field," says Avery.

Genetic fingerprinting, of the type used by the police to establish the identity of a criminal, has proved valuable in investigating bird relationships. By specially treating a sample of DNA, extracted from blood or tissue, it is possible to identify a bird's inherited characteristics.

In this programme too the RSPB has worked with Not-

tingham University. They have looked into the drop in the red kite population in Wales, where the findings showed that, contrary to expectation, there was still sufficient genetic variation for the kites to breed.

Another survey on breeding showed that about 60 per cent of the young of house sparrows were the result of "extra marital" relationships.

One of the RSPB's main activities is to combat the theft of eggs and rare birds, particularly birds of prey. Peregrine falcons, used for hawking, are sometimes illegally exported for as much as £3,000.

The society's computers contain about 15,000 names and incidents — a unique database for the investigation of such crimes.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

Growth Income	5	102.1	104.7	111.4	..... 1.4
Do Accum	5	143.6	147.2	156.6	..... 1.4
Quarterly Income	5	52.07	53.67	57.10	..... 7.0

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

Growth Sept 20	5	90.60	90.60	96.38	..... 2.32
Income Sept 20	5	45.34	46.08	49.02	..... 5.02

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

Emerging Grwth	5	58.28	59.75	63.40	+0.2	1.80
(Accum Units)	5	58.72	60.20	63.87	+0.19	1.80
Fellowship Tst	5	58.17	59.78	63.43	+0.03	1.95
(Accum Units)	5	59.28	60.93	64.65	+0.04	1.95
General Inc	5	253.3	253.3	267.9	-0.7	3.20
(Accum Units)	5	418.3	418.3	442.4	-1.2	3.20
Income	5	131.7	136.2	144.5	-0.5	4.70
(Accum Units)	5	248.2	256.5	272.2	-0.9	4.70
International	5	105.6	105.6	111.7	+0.3	1.89
(Accum Units)	5	143.1	143.1	151.3	+0.4	1.89
Smaller Co's	5	95.24	97.55	103.5	+0.3	1.88
(Accum Units)	5	103.4	105.9	112.4	+0.3	1.88
Inv Portfolio	2½	46.94	48.50	50.00	+0.6	4.00

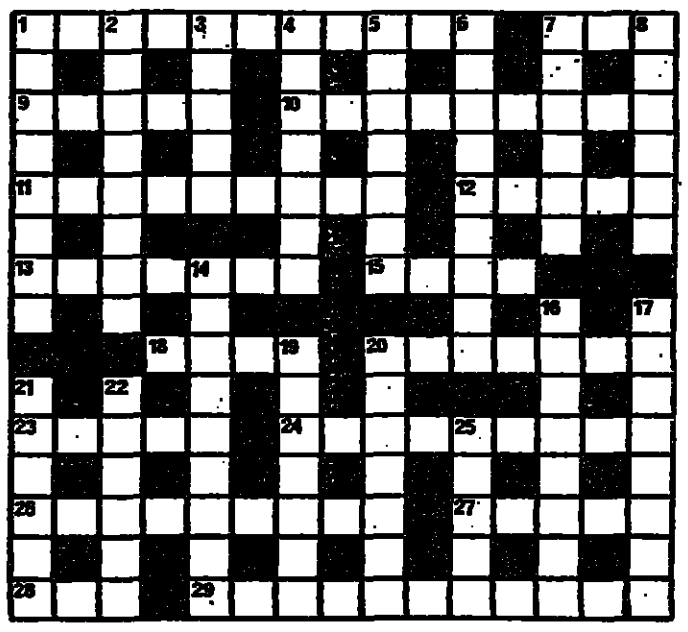
London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

American	5	30.44	30.76	32.65	+0.33	0.8
General	5	47.55	47.81	50.75	+0.09	3.7
Income	5	42.87	43.29xd	45.96	+0.09	6.0
International	5	35.49	35.81	38.01	+0.24	0.9
Japan	5	49.75	49.98xd	53.06	-0.06	–
Tst of Inv Trusts	5	35.09	35.88	38.09	+0.03	2.0

CROSSWORD

No. 6,741 Set by CINEPHILE

Across solutions include the 1 7, 9, 12, 13, 15, 18, 20, 23, 27, and 28, 29 being part of a famous one.



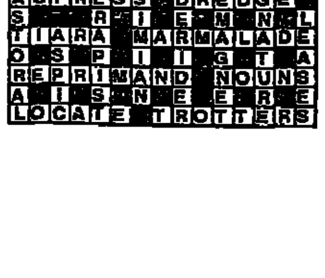
ACROSS

1 Bob and Anna are friends without independent capital (11)
7 Ancestor 1,488 years ago (3)
9 There are two – no connection with 6 (5)
10 Ornamental scroll for motor: a hit, I confess! (9)
11 I enter obviously without protest (9)
12 Address to mothers? (5)
13 About four officers of church and state need a respirator (7)
15 Sound not quite in the mouth (4)
18 Sound with the eye (4)
20 Valley with marbles, in short, across from Skye (7)
23 Number and belief (5)
24 Belief in gradual change of more firms? (9)
26 Reminiscent of English case for address (9)
27 Number and weight impracticable (3,2)
28 Quiet half of 12 (3)
29 Napoleon said he could? Then beware: a lie's unfolding (3,1,3,4)

DOWN

1 It's not French cricket that takes one abroad (8)
2 Quick about a tax being raised for medicine (8)
3 Old writer in between a sheet (5)
4 Topless writer outside church took stock of shocks (7)
5 Maritime writer could be followed by the registry office (7)
6 Warning of blow for company in monster reorganisation (5,4)
7 Settle for yard in river (6)
8 Give me yard in the clouds (6)
14 Native in East makes Eastern capital (9)
16 Have a hand in genuine sending of money (8)
17 Extreme selfishness in a love game, possibly (8)
19 Piggy would be prickly if you pick up inside (7)
20 Foreman that land fish? (7)
21 Water running or condensed round river (6)
22 Tell at one's best? (6)
25 Bring up to date part of "The blushful Hippocrene with beaded bubbles" (5)

Solution to Puzzle No.6,740



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
TSB Unit Trusts (y) (1600)F						
Charlton Pl, Andover, Hants SP10 1RE 0264 63434						
TSB American	5	101.79	101.79	108.15	+1.22	2.08
Do Accum	5	109.25	109.25	116.07	+1.30	2.08
TSB Brit Growth	5	52.86	52.86	56.23	+0.08	3.57
Do Accum	5	55.31	55.31	58.84	+0.08	3.57
TSB European	5	50.69	50.69	53.93	+0.37	1.15
Do Accum	5	52.07	52.07	55.39	+0.38	1.15
TSB Extra Income	5	141.80	141.80	150.85	-1.71	5.99
Do Accum	5	183.04	183.04	194.72	-2.20	5.99
TSB Smaller Cos	5	52.16	52.16	55.49	+0.37	1.24
Do Accum	5	53.09	53.09	56.48	+0.33	1.24
TSB General	5	173.62	173.62	184.70	+0.75	3.40
Do Accum	5	300.53	300.53	319.71	+1.30	3.40
TSB Gilt & Fxd Int	3¼	46.95	46.95	48.56	-0.04	9.07
Do Accum	3¼	70.89	70.89	73.32	-0.06	9.07
TSB Income	5	255.97	255.97	272.31	+0.72	5.13
Do Accum	5	427.85	427.85	455.16	+1.20	5.13
TSB Pacific	5	202.75	203.46	216.43	+1.32	0.32
Do Accum	5	210.28	211.53	225.03	-1.38	0.32
TSB International	5	321.79	321.79	343.21	+2.08	1.03
Do Accum	5	404.78	404.78	431.73	+2.57	1.03
TSB Nat Resources	5	60.08	60.08	63.91	-0.20	1.43
Do Accum	5	63.15	63.15	67.18	-0.20	1.43
TSB Scttsh Oops	5	77.11	77.11	82.03	+0.30	2.43
Do Accum	5	87.99	87.99	93.61	+0.34	2.43
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks. Admin. 0296 394000 Dealing: 01-379 0460						
American Eagle	5	64.29	64.29	68.65	+0.34	0.86
Australia	5	7.308	7.308	7.830	-0.30	0.10
Commodity	5	74.40	74.40	80.25	+0.37	0.62
Convertible	5	138.9	138.9xd	149.7	-2.9	5.11
Equity	5	145	145	156.3	-0.4	3.34
Euro Spec Sits	5	78.92	78.92	84.85	-0.51	1.60
Financial	5	30.00	30.00xd	32.4	-	2.10
Global Opps Inc	5	55.56	55.56	60	+0.22	0.42
Global Opps Acc	5	55.56	55.56	60	+0.22	0.42
Gold Income	5	48.54	48.54	51.93	+0.28	0.00
Gold Acc	5	89.4	89.4	95.65	+0.52	0.00
Income	5	101.8	101.8xd	109.5	-0.5	4.63
Japan	5	117.2	117.2xd	126.1	-0.5	0.00

	Bid Price	Offer Price	+ or −	Yield Gross
MIM Ltd				
Mngd Pens Ohest	54.0	57.61	-0.6	0.00
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Sept 21	40.6	42.2	-	2.28
Euro Expt Sept 21	40.6	42.6	-	2.59
Fixed Int Ex Sept 21	48.1	50.4	-	9.8
Japan Expt Sept 21	52.4	54.5	-	0.47
Managed Ex Sept 15	38.8	40.3	-	4.54
SE Asia Expt Sept 21	35.4	37.1	-	2.20
Sm Cos Expt Sept 21	42.8	44.9	-	2.81
UK Eqty Ex Sept 21	35.8	35.4	-	4.57
New Court Property Fund Managers				
NC Property	189.5	199.5	-	-
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd	771.0	817.0	-	3.75
Do Accum	795.0	844.0	-	3.75
PDFM Int Expt Sept 22	126.0	128.0	-0.3	2.72
J. Rothschild Fund Managers Ltd				
Intl Exempt	91.60	92.75	-	2.98

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
AA Friendly Society				
Investment Mngt. M & G Inv Mngt Ltd				
AA Friendly Sr Sept 8	-	134.9	-	-
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	257.8	271.4	-	-
Equity Ser. 1	112.6	118.6	+0.2	-
Prop. Acc. Ser 2	373.3	393.0	-	-
Equity Ser 2	127.8	134.6	+0.2	-

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop. Dist. (Gross)	176.3	185.6	+1.9	–
Prop Acc. (Gross)	285.5	300.6	+3.1	–
Equity (Gross)	649.8	684.1	+2.2	–
Managed (Gross)	467.4	492.0	+1.2	–
Prop Acc. (Net)	131.9	138.9	+1.4	–
Equity (Net)	152.2	160.3	-0.4	–
Managed (Net)	143.8	151.4	+0.3	–
Internat'nal (net)	131.7	138.7	+0.8	–
Gilt & Fxd Interest	99.1	104.4	-0.1	–
Money Fund	100.9	106.2	–	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	441.1	464.4	+0.9	–
Ret Man (Series 2)	149.6	157.5	+0.3	–
Ret Man (Series 3)	98.4	98.4	+0.1	–
Ret Cash	124.9	131.5	+0.1	–
Ret Cash (Series 3)	102.3	102.3	–	–
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd.	386.4	406.9	—	–
Eb'r Ph. Eq.	329.4	350.5	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	167.2	176.0	-0.1	–
International Acc.	142.6	150.1	+0.1	–
Property Acc.	148.3	156.1	+0.1	–
Fixed Interest Acc.	155.0	163.1	+0.2	–
Money Acc.	144.2	151.7	—	–
Bldg. Soc. Link Acc.	141.0	148.4	+0.1	–
Special Mnged Acc. Q.	152.5	160.5	+0.1	–
Phoenix/Framlington				
Intnl. Growth Acc.	88.90	93.50	+0.10	–
Am. Smllr Cos. Acc.	90.50	95.20	+0.40	–
Capital Tst. Acc.	171.3	180.3	+0.1	–
Japan & Gen Acc.	188.0	197.8	-0.5	–
American Turn. Acc.	99.50	104.7	+0.2	–
Recovery Tst. Acc.	178.5	187.8	+0.2	–
Special Mngd Acc.	148.8	156.6	+0.3	–
Phoenix/GT				
International Acc.	134.0	141.0	+0.5	–
US & General Acc.	88.90	93.50	+2.50	–
Amer Spec Sits Acc.	68.60	72.20	+0.50	–
Japan & General Acc.	190.1	200.1	-0.8	–
Far East & Gen. Acc.	135.4	142.5	+0.6	–
UK Capital Acc.	172.6	181.6	-0.4	–
European Acc.	147.3	155.0	+0.6	–
Special Mngd. Acc.	127.3	133.9	+0.2	–
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655				
Managed Fund	257.0	270.6	—	–
Man Pens Inc & Cap Fds.	324.2	341.3	—	–
Money Fund	114.2	120.3	—	–
Pens. Mngd Fd (Init)	86.5	91.1	—	–
Pens Mngd Fd (Acc)	100.5	105.8	—	–
Pens FT30 Fd (Init)	123.2	129.7	—	–
Pens FT30 Fd (Acc)	143.0	150.6	—	–
Pens O'seas MgFd(Init)	60.2	63.4	—	–
Pens O'seas MgFd(Acc)	70.0	73.7	—	–
Pens Fxd Int Fd (Init)	102.2	107.6	—	–
Pens Fxd Int Fd (Acc)	118.7	125.0	—	–
Pens Deposit Fd (Init)	101.7	107.1	—	–
Pens Deposit Fd (Acc)	118.2	124.5	—	–
Premium Life Assurance Co Ltd				
37–59, Perrymount Road, Haywards Heath 0444 458721				
American	106.0	112.0	+1.0	–
Building Soc. Fd.	164.0	173.0	—	–
Balanced	245.0	258.0	—	–
Deposit	163.0	172.0	—	–
European	133.0	140.0	+2.0	–
GT Managed	150.0	158.0	+1.0	–
Gartmore Mngd	101.0	107.0	—	–
German	98.0	104.0	—	–
Gilt	164.0	173.0	—	–
High Inc.	108.0	114.0	—	–
International Equity	159.0	168.0	—	–
Japan	214.0	226.0	—	–
Managed	55.0	58.0	—	–
Property	265.0	279.0	—	–
R. W. Imperial Gold	127.0	134.0	—	–
UK Equity	315.0	332.0	-1.0	–

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Life Assoc Ltd				
Provident Way, Basingstoke RG21 2SZ 0256 470707				
Unit Fund	886.2	930.5	+6.8	–
Equity Fund	200.8	210.8	+2.3	–
International Fd.	132.6	139.2	+0.8	–
Fixed Interest Fd.	148.9	156.3	+0.1	–
Property Fund	172.7	181.3	—	–
Index-Linked Fund	124.7	130.9	+0.1	–
Deposit Fund	130.1	136.6	+0.0	–
Pens. Mixed (Ord) Fd.	204.7	214.9	+1.7	–
Gold Pensions				
Discretionary Fund	99.2		+0.8	–
Equity Fund	98.1		+1.3	–
Fixed Interest Fund	101.5		+0.0	–
International Fund	99.1		+0.6	–
Property Fund	100.0		—	–
Index-Linked Fund	101.7		+0.0	–
Deposit Fund	101.9		+0.0	–
S & F Consolidation	100.5		+0.0	–
S & F Balanced	98.3		+1.1	–
S & F Maximum Growth	94.9		+1.0	–
Provident Mutual Life Assc. Assn.				
Wilfian Rd, Hitchin, Herts SG4 0LP 0438 739000				
Managed Ord	282.8	297.7	-0.2	–
Managed Init	232.8	245.1	-0.3	–
Equity Ord	392.3	412.9	-1.1	–
Equity Init	323.0	340.0	-0.8	–
Index Linked Gilt Ord	123.1	129.6	-0.1	–
Index Linked Gilt Init	105.9	111.5	–	–
Overseas Equity Ord	257.8	271.4	+0.5	–
Overseas Equity Init	212.2	223.4	+0.2	–
Property Ord	172.4	181.5	–	–
Property Init	142.0	149.5	–	–
Fixed Interest Ord	168.6	177.5	+0.2	–
Fixed Interest Init	138.8	146.1	+0.1	–
Deposit Ord	136.1	143.3	+0.1	–
Deposit Init	112.0	117.9	–	–
Pension Funds				
Managed Ord	341.2	359.2	-0.4	–
Managed Init	281.0	295.8	-0.3	–
Equity Ord	490.3	516.1	-1.5	–
Equity Init	403.7	424.9	-1.3	–
Pen Ind Lkd Gilt Ord	132.8	139.8	–	–
Pen Ind Lkd Gilt Init	114.2	120.2	–	–
Overseas Equity Ord	292.6	308.0	+0.5	–
Overseas Equity Init	240.9	253.6	+0.4	–
Property Ord	202.2	212.8	+0.1	–
Property Init	166.5	175.3	+0.1	–
Fixed Interest Ord	191.8	201.9	+0.2	–
Fixed Interest Init	157.9	166.2	+0.1	–
Deposit Ord	170.2	179.2	–	–
Deposit Init	140.1	147.5	–	–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 01-405 9222				
Prufund				
Managed Sept 21	204.5	213.1	—	–
Prudential Holborn Life Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Holborn Series I Life Funds				
Managed	438.4	452.9	-1.0	–
Equity	874.1	920.2	-4.3	–
Fixed Interest	370.1	389.6	+0.1	–
Property	353.8	372.5	+0.1	–
Cash	245.9	258.9	—	–
International	303.1	319.1	+0.7	–
Holborn Series II Life Funds				
Managed	430.3	453.0	-0.9	–
Equity	856.6	901.7	-4.2	–
International	297.6	313.3	+0.7	–
Fixed Intl.	361.2	380.3	+0.9	–
Property	345.7	363.9	+0.1	–
Cash	240.5	253.2	+0.1	–
Pacific Basin	166.2	175.0	+0.2	–
North American	124.7	131.3	+0.5	–
European	128.5	135.3	+0.6	–
Holborn Balanced Gwth.	101.2	106.6	+0.2	–
Holborn Strategic Gwth.	100.1	105.4	-0.1	–
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	471.1	495.9	-0.5	–
Equity	666.2	701.3	-2.0	–
Global Equity	195.5	205.8	+0.3	–
Fixed Interest	378.3	398.3	-0.1	–
Property	344.2	362.4	+0.2	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	83	Redemption 3pc 1986-96	99		–	–
100	99	Treas 9½pc '88	99		9.52	11.40
102	99	Treas 11½pc 1989	99		11.51	11.43
101	98	Treas 9½pc Cnv 1989	99		9.59	11.30
97	95	Treas 3pc 1989	96		3.11	8.51
102	99	Treas 10½pc 1989	99		10.56	11.23
102	98	Exch. 10pc 1989	98		10.10	11.22
103	99	Exch 11pc 1989	99		11.01	11.14
97	94	Treas 5pc 1986-89	95		5.25	9.87
104	98	Exch 10¼pcCv '89	99		10.33	10.93
107	102	Treas 13pc 1990‡‡	102		12.63	10.47
104	100	Exch 11pc 1990‡‡	100		10.94	10.47
107	102	Exch. 12½pc 1990	102		12.18	10.61
93	90	Treas. 3pc 1990	90		3.30	9.09
99	95	Treas 8¼pc 1987-90‡‡	96		8.55	10.50
102	95	Treas. 8pc Cv 1990 ‡‡	97		8.25	9.81
103	98	Treas. 10pcCv 1990	98		10.11	10.61
91	87	Exch 2½pc 1990	87		2.85	8.76
107	101	Treas 11¾pc 1991	102		11.50	10.63
95	90	Funding 5¾pc '87-91‡‡	90		6.32	9.87
90	86	Treas 3pc 1991	86		3.47	8.88
105	98	Treas 10pc Cv '91 ‡‡	99		10.10	10.39
107	100	Exch. 11pc 1991	101		10.85	10.49
98	92	Treas 8pc 1991	93		8.58	10.51
113	105	Treas 12¾pc 1992‡‡	106		11.99	10.43
104	98	Treas 10pc 1992	98		10.12	10.40
93	92	Treas 8pc 1992 ‡‡	92		8.61	10.44
106	99	Treas 10½pc Cv 1992‡‡	100		10.48	10.41
86	82	Treas. 3pc 1992	82		3.64	8.62
112	104	Exch 12¼pc '92	105		11.59	10.42
117	108	Exch 13½pc 1992	109		11.59	10.42
97	91	Treas 9¾pc 1993	92		8.90	10.35
105	97	Treas 10pc 1993‡‡	99		10.10	10.29
115	107	Treas 12½pc 1993‡‡	108		11.58	10.35
93	87	Funding 6pc 1993‡‡	87		6.83	9.04

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
44	41	Consols 4pc	42		9.36	–
39	37	War Loan 3½pc‡‡	38		9.18	–
61	48	Conv. 3½pc '61 Aft.	59		5.93	–
33	30	Treas. 3pc '66 Aft.	32		9.36	–
28	26	Consols 2½pc	27		9.22	–
28	26	Treas. 2½pc	27		9.23	–

Index-Linked

1988 High	Low	Stock (b)	Price £	+ or -	(1)	(2)
122	117	Treas 2pc IL '90(84.6)	121		1.18	3.26
103	99	Do. 2pc '92‡‡(97.8)	101		2.72	3.53
96	92	Do. 2 '94 (102.9)	93		3.07	3.57
139	127	Do 2pc '96(67.9)	137		3.24	3.61
114	103	Do 2½pc '01(78.3)	113		3.74	3.89
111	101	Do 2½pc '03(78.8)	111		3.78	4.31
113	102	Do. 2pc '06(69.5)	112		3.81	3.99
105	95	Do. 2½pc '09(78.8)	105		3.80	3.98
109	99	Do. 2½pc '11(74.6)	109		3.82	3.95
91	82	Do. 2½pc '13(89.2)	90		3.80	3.95
98	88	Do. 2½pc '16(81.6)	97		3.76	3.91
96	87	Do 2½pc '20(83.0)	95		3.72	3.86
81	73	Do. 2½pc '24‡‡(97.7)	80		3.69	3.81

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1988:103.3 and for August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
109	100	African Dv Bk 11¼Ln 2010	105		10.76	10.70
104	96	Asian Dev Bk 10¼pcLn2009	99		10.32	10.33
129	120	Australia 13½pc 2010	124		10.88	10.63
112	105	Do 11½pcLn2015	107		10.50	10.49
110	103	Euro Inv Bk 11pc Ln 2002	104		10.49	10.34

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	1988 Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27½	22⅞	Texas Instr. $1	24⅛xd	+⅜	72c	—	1.7
69	43¼	Time Inc. $1	64⅞xd	+1⅞	$1.00	—	0.9
21½	15⅞	Transamerica $1	21½xd	+⅛	$1.84	—	5.0
20⅛	14½	TRINOVA Corp	16⅞xd	+⅞	64c	—	2.3
19	15⅛	USX $1	16½	+⅛	$1.20	—	4.3
23	17⅝	Utd. Technologies	23xd	+⅛	$1.60	—	4.1
33⅝	26¼	US West	33⅝	+½	$3.52	—	6.1
24⅝	16⅞	Waste Management $1	24⅞xd	+⅞	48c	—	1.1
16⅞	12⅞	Whirlpool $1	15½	+⅛	$1.10	—	4.2
32⅞	18¼	♦Woolworth $3½	31¼	–⅛	$1.64	—	3.0

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed: dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents d Dividend rate paid or payable on part of capital, cover based on dividend on full capital e Redemption yield. f Flat yield g Assumed dividend and yield h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax x Dividend cover in excess of 100 times y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment A Net dividend and yield. B Preference dividend passed or deferred C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend cover and P/E based on latest annual earnings M Dividend and yield based on prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987 Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates T Figures assumed. W Pro forma figures Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue, xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ..... y	71	.....
Craig & Rose £1. y	690	...
Finlay Pkg 5p .... y	86	.....
Holt (Jos) 25p ..... y	£11⅞	.....
Arnotts ..... y	365	....
Carrol Inds ..... y	160	....
Grafton Grp ..... y	127	....
Hall (R. & H.)	165	....
Helton Hldgs ..... y	56	....
Irish Ropes ..... y	163	.....

IRISH

Cap 8½% Ln 1991	£98¼	.....
9pc Cap Ln. 1996	£100¼	.....
Fin. 13% 97/02	£129	.....

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	58

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Thursday September 22 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Sep 21 Index No.	Tue Sep 20 Index No.	Mon Sep 19 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	771.83	-0.4	11.86	4.29	11.18	20.19	774.86	763.49	758.37	974.43
2 Building Materials (29)	962.47	-0.8	12.40	4.49	9.95	24.47	970.60	950.65	945.99	1197.33
3 Contracting, Construction (37)	1533.36	+0.2	12.00	3.73	10.86	34.17	1531.04	1512.43	1510.97	1819.65
4 Electricals (12)	2146.25	+0.4	9.37	4.79	13.05	54.89	2137.61	2112.67	2083.18	2580.98
5 Electronics (28)	1652.78	-0.7	10.77	3.76	11.96	40.48	1664.23	1650.86	1638.25	2059.12
6 Mechanical Engineering (58)	403.81	+0.3	10.72	4.39	11.47	10.62	402.79	397.87	394.96	521.13
8 Metals and Metal Forming (7)	476.82	-1.0	10.20	4.86	12.12	10.06	481.56	469.53	465.15	567.23
9 Motors (16)	272.38	-0.8	12.02	4.86	9.60	7.80	274.58	269.20	266.79	397.25
10 Other Industrial Materials (23)	1310.67	-0.4	9.85	4.66	11.97	41.77	1316.41	1293.97	1284.64	1702.77
21 CONSUMER GROUP (185)	1043.64	-0.5	9.63	3.84	13.09	20.44	1049.35	1037.79	1029.89	1337.30
22 Brewers and Distillers (21)	1083.26	+0.2	10.90	3.80	11.57	22.90	1081.46	1080.72	1072.81	1192.70
25 Food Manufacturing (21)	948.92	-0.6	9.33	3.97	13.55	18.91	954.54	944.23	938.95	1008.14
26 Food Retailing (16)	1841.00	-1.6	9.38	3.62	14.88	38.76	1871.76	1838.80	1829.34	2466.71
27 Health and Household (12)	1847.55	-0.2	7.82	2.66	16.44	18.01	1850.68	1811.60	1788.81	2687.93
29 Leisure (30)	1316.83	-0.2	9.34	3.89	13.73	29.68	1319.24	1319.75	1310.55	1399.44
31 Packaging & Paper (17)	509.54	-0.3	10.80	4.23	11.83	13.89	510.89	504.29	497.03	680.49
32 Publishing & Printing (18)	3271.49	-0.3	9.06	4.70	13.77	74.44	3281.57	3293.37	3256.50	4782.55
34 Stores (34)	751.56	-1.1	11.09	4.43	11.87	16.36	759.82	746.65	742.57	1087.18
35 Textiles (16)	505.07	-1.1	13.69	5.48	8.57	12.69	510.53	505.97	506.87	878.41
40 OTHER GROUPS (93)	871.98	-0.2	11.48	4.58	10.64	21.98	873.44	866.91	862.37	1150.50
41 Agencies (19)	1039.01	+0.6	8.72	2.69	14.50	18.23	1032.48	1021.79	1015.93	1716.90
42 Chemicals (21)	1034.52		12.34	4.94	9.74	36.09	1035.09	1030.74	1026.87	1504.99
43 Conglomerates (13)	1199.26	+0.2	10.55	4.50	10.94	24.92	1197.13	1185.17	1182.73	1466.16
45 Shipping and Transport (12)	1839.00	+0.1	11.90	5.04	11.10	37.93	1837.46	1816.75	1808.16	2351.91
47 Telephone Networks (2)	933.90	-0.6	11.89	4.77	10.91	20.38	939.66	931.77	925.92	1070.36
48 Miscellaneous (26)	1178.37	-0.5	11.96	4.60	9.52	36.88	1183.84	1179.90	1169.57	1704.92
49 INDUSTRIAL GROUP (488)	938.60	-0.4	10.52	4.16	11.80	21.48	942.36	931.98	925.72	1207.36
51 Oil & Gas (12)	1760.88	-0.3	10.73	6.33	11.93	76.00	1765.33	1757.33	1755.77	2214.75
59 500 SHARE INDEX (500)	1008.29	-0.4	10.55	4.47	11.82	26.04	1012.12	1001.90	996.80	1292.95
61 FINANCIAL GROUP (121)	674.57		-	5.25	-	22.38	674.70	672.70	666.08	858.03
62 Banks (8)	659.24	-0.1	21.71	6.63	6.17	30.77	659.86	654.73	646.85	863.43
65 Insurance (Life) (8)	986.84	-0.2	-	5.34	-	36.93	989.10	1008.83	994.20	1176.02
66 Insurance (Composite) (7)	526.43	-0.3	-	5.93	-	18.56	528.00	526.14	518.98	670.86
67 Insurance (Brokers) (7)	916.30	-0.7	10.46	6.95	12.37	44.40	922.55	921.17	916.03	1169.21
68 Merchant Banks (11)	326.52	-0.2	-	4.51	-	8.09	327.02	324.14	324.29	499.97
69 Property (50)	1168.03	+0.4	5.69	2.81	22.50	16.10	1163.89	1155.00	1147.53	1385.58
70 Other Financial (30)	359.74	+0.4	10.61	5.50	11.85	10.71	358.41	356.96	355.70	581.51
71 Investment Trusts (78)	901.01	-0.4	-	3.14	-	15.68	904.89	897.61	894.72	1164.39
81 Mining Finance (2)	596.53	-3.7	10.12	3.51	10.95	15.67	619.62	525.72	526.46	688.22
91 Overseas Traders (8)	1230.43	-0.2	9.70	4.62	12.04	35.31	1233.48	1198.67	1167.87	1269.29
99 ALL-SHARE INDEX (709)	925.92	-0.4	-	4.53	-	24.73	929.50	918.57	912.59	1181.64

	Index No.	Day's Change	Day's High	Day's Low	Sep 21	Sep 20	Sep 19	Sep 16	Sep 15	Year ago
FT-SE 100 SHARE INDEX ♦	1788.7	-8.1	1793.7	1784.8	1796.8	1772.1	1759.9	1766.7	1769.3	2313.4

FIXED INTEREST

PRICE INDICES	Thu Sep 22	Day's change %	Wed Sep 21	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	118.50	+0.04	118.45	-	9.35
2 5-15 years	134.82	-	134.82	-	9.71
3 Over 15 years	144.30	+0.03	144.25	-	11.09
4 Irredeemables	165.98	-0.07	166.10	-	8.84
5 All stocks	132.00	+0.02	131.98	-	9.84
Index-Linked					
6 5 years	127.30	-0.05	127.37	-	1.81
7 Over 5 years	120.96	-0.11	121.09	-	2.65
8 All stocks	121.31	-0.10	121.43	-	2.57
9 Debentures & Loans	115.52	+0.04	115.47	-	7.82
10 Preference	87.93	-0.77	88.62	-	4.36

AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 22	Wed Sep 21	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.96	9.96	9.64
2	15 years	9.60	9.60	9.91
3	25 years	9.28	9.28	9.76
4 Medium Coupons	5 years	10.35	10.35	10.37
5	15 years	9.84	9.84	10.17
6	25 years	9.55	9.55	9.94
7 High Coupons	5 years	10.49	10.49	10.43
8	15 years	9.98	9.97	10.33
9	25 years	9.52	9.52	9.99
10 Irredeemables		9.22	9.20	10.02
Index-Linked				
11 Inflation rate 5%	5 yrs	3.48	3.45	3.56
12 Inflation rate 5%	Over 5 yrs	3.92	3.91	4.11
13 Inflation rate 10%	5 yrs	2.34	2.38	3.55
14 Inflation rate 10%	Over 5 yrs	3.74	3.73	4.12
15 Debs & Loans	5 years	11.65	11.65	11.39
16	15 years	11.36	11.36	11.38
17	25 years	11.13	11.13	11.38
18 Preference		10.27	10.18	10.90

♦Opening index 1792.9; 10 am 1793.4; 11 am 1788.3; Noon 1789.6; 1 pm 1790.0; 2 pm 1790.0; 3 pm 1789.8; 3.30 pm 1785.1; 4 pm 1787.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	34	50	28
Corporations, Dominion and Foreign Bonds	1	7	42
Industrials	338	430	834
Financial and Properties	129	145	389
Oils	22	29	55
Plantations	2	1	10
Mines	39	53	101
Others	108	47	123
Totals	673	762	1,582

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 12
- Last Dealings Sep 23
- Last Declarations Dec 8
- For settlement Dec 19

For rate indications see end of London Share Service

Stocks favoured for the call included GEC, Lonrho, Norex, Mountleigh, Trusthouse Forte, Premier Consolidated, Blacks Leisure, Sears, Scottish and Newcastle, Racal, Eagle Trust, Regentcrest, Norfolk Capital, Hanson and Polly Peck. A put was arranged in Sears, while Premier were dealt in for the double.

LONDON TRADED OPTIONS

[illegible]

COMPANY NOTICES

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF DEFERRED SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 81

With reference to the notice of declaration of dividend advertised in the Press on 17th August, 1988, the following information is published for holders of share warrants to bearer.

The dividend of 45 cents per share was declared in South African currency. South African non-resident shareholders' tax at 5.8743 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 39.1257 cents per share.

The dividend on bearer shares will be paid on or after 9th November, 1988 against surrender of coupon No. 81 detached from share warrants to bearer as under:—

(a) At the offices of the following continental paying agents:

L'Europeenne de Banque 21 rue Laffitte 75428 Paris	Banque Bruxelles Lambert 24 Avenue Marnix 1050 Brussels	Generale de Banque 3 Montagne du Parc 1000 Brussels
Credit Suisse Paradeplatz 8 8021 Zurich	Union Bank of Switzerland Bahnhofstrasse 45 8021 Zurich	Swiss Bank Corporation 1 Aeschenvorstadt 4002 Basle

Banque Internationale a Luxembourg
2 Boulevard Royal
Luxembourg

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 2nd November, 1988, at the United Kingdom currency equivalent of the rand currency value of their dividend on 3rd October, 1988; or

(ii) in respect of coupons lodged after 2nd November, 1988, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 33.75 cents per share in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	45.0000
Less: South African non-resident shareholders' tax at 13.054%	5.8743
	39.1257
Less: U.K. Income tax at 11.946% on the gross amount of the dividend of 45 cents	5.3757
	33.7500

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries, G. A. Wilkinson

London Office:
40 Holborn Viaduct, London EC1P 1AJ

22nd September, 1988

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.946% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.054%.

De Beers
De Beers Consolidated Mines Limited

STATE BANK OF SOUTH AUSTRALIA
A$75,000,000
FLOATING RATE NOTES DUE 1994

Holders of the notes of the above issue are hereby notified that for the next interest sub-period the following will apply:

INTEREST RATE: 13.12 PER CENT PER ANNUM
INTEREST PERIOD: 19 SEPTEMBER 1988–19 DECEMBER 1988
INTEREST AMOUNT DUE: 19.12 DECEMBER 1988
PER A$10,000 NOTE: A$327.10
PER A$5,000 NOTE: A$163.55

BANK OF TOKYO AUSTRALIA LIMITED
AGENT BANK

USDOL 200.000.000
BATIF TRANCHE A AND TRANCHE B
GUARANTEED FLOATING RATE NOTES WITH GUARANTEED FLOOR WARRANTS DUE MARCH 1996

For the six months period September 23, 1988 to March 23, 1989 the notes will carry an interest rate of 8 11/16 % per annum with an interest amount of USDOL 436.79.- per USDOL 10.000 note.

The interest amount per floor warrant Tranche A : 0
Tranche B : 0

The relevant interest payment date will be March 23, 1989.
Banque Paribas (Luxembourg) S.A.
Agent Bank

مكتبة منار الأصل

LONDON STOCK EXCHANGE

Good undertone as the market pauses

THE EXCITEMENT generated by Minorco's record UK bid in the mining sector continued to resound through the London stock market yesterday. While the equity sector gave ground as profit-taking cut into some of the wilder gains of the previous sessions, there was selective buying of major stocks by both UK and US institutions.

Consolidated Gold Fields fell back as investors pondered the latest developments in what may prove a prolonged bid saga, but there was ready support for a several other long-running special situations.

The market opened a shade off, with domestic selling masking good US demand for

Account Dealing Dates

*First Dealings:	Sep 5	Sep 19	Oct 3
Option Declarations:	Sep 15	Sep 29	Oct 13
Last Dealings:	Sep 16	Sep 30	Oct 14
Account Day:	Sep 26	Oct 10	Oct 24

*New time dealings may take place from 9.00 am two business days earlier.

such blue chips as Reuters, British Gas, Beecham and Saatchi and Saatchi. Also finding some support from the US were United Newspapers and Pearson.

The international favourites were led by Glaxo Holdings, which had been bought strongly in New York overnight. US investors, who cut their holdings in the pharmaceutical group from 17 per cent to 12 per cent of the equity earlier this year, are now rebuilding their Glaxo portfolios. Last week's trading results have brought further recommendation of Glaxo by New York brokerage houses.

However, the initial impetus was checked by two relatively small "sell" programmes, reportedly of £25m and £10m, from London trading houses. These programmes left the blue chips unscathed, however, and prices steadied before the close. Some tremors were felt in the afternoon when wild (and false) rumours concerning President Reagan's health circulated. The closing tone was steady.

The FT-SE Index ended the day a net 8.1 down at 1783.7. Seaq volume of 393.6m shares compared well with the previous day's total of 438.6m, which was boosted by the heavy trading in Gold Fields and other mining stocks.

For the Government bond market, it was another listless day, with the disclosure of the Bank of England weekly note and coin return, now scanned for signs of the trend of M0 money supply, providing the only moment of interest.

In the event, the Bank return, which showed a slight moderation in the rate of increase in note circulation, did nothing to change the bond market's perception of the strength of consumer spending.

Long-dated bonds closed with very small gains, barely ⅛ in most cases, after showing a series of narrow fluctuations during the day. Shorts performed in a similar fashion.

Index-linked (IL) bonds, which have been moving up as inflation perceptions have worsened, traded lower, closing around ⅛ off. However, traders said that turnover in IL stocks was very light, hardly enough to indicate a change of views on inflation prospects.

FINANCIAL TIMES STOCK INDICES

	Sep 22	Sep 21	Sep 20	Sep 19	Sep 16	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.97	87.01	86.97	86.50	86.62	85.39	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.00	96.00	95.67	95.82	95.61	91.72	98.87 (25/5)	94.14 (8/1)	105.4 (26/11/47)	50.53 (3/1/75)
Ordinary	1440.7	1443.6	1429.9	1418.6	1422.5	1811.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	182.7	185.2	188.1	184.4	173.6	458.7	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.79	4.78	4.84	4.84	4.83	3.27				
Earning Yld %(full)	12.03	12.02	12.15	12.20	12.17	8.00				
P/E Ratio(Net)(*)	10.06	10.09	9.98	9.94	9.97	15.30				
SEAQ Bargains(5pm)	20,886	21,505	17,545	17,796	22,872	39,901				
Equity Turnover(£m)†	-	1153.30	715.49	748.85	1056.60	1774.01				
Equity Bargains†	-	22,163	17,732	19,303	24,338	48,093				
Shares Traded (ml)†	-	356.3	261.0	296.5	432.4	603.7				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1442.7	1443.6	1439.5	1440.5	1440.7	1440.4	1440.3	1438.5

DAY'S HIGH 1444.1 DAY'S LOW 1436.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.00 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Sep 21	Sep 20
Gilt Edged Bargains	89.7	92.2
Equity Bargains	143.8	114.9
Equity Value	2331.1	1446.2
5-Day average		
Gilt Edged Bargains	83.5	80.6
Equity Bargains	135.1	131.2
Equity Value	1862.6	1843.6

● London Report and latest Share Index: Tel. 0898 123001

Abbey story rejected

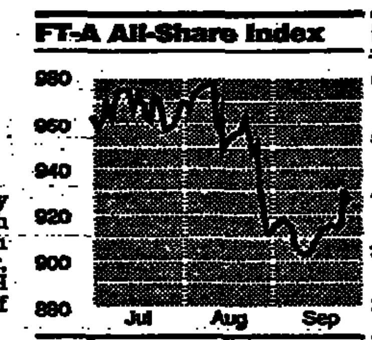
A rush to buy stock of Abbey Life, said to reflect the search for a bid target to replace Sun Life in the assurance sector, was discounted by Mr Michael Hepher, the chairman of Abbey.

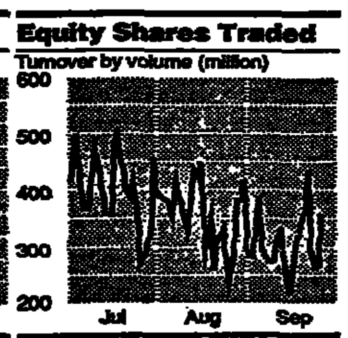
He maintained yesterday that he was "not aware of any stake-building in our shares. We've been through this sort of thing many times in the past, most recently when Banque Paribas bought shares in Abbey Life. The price was up to 335p then," Mr Hepher added. "It seems the Sun Life thing has focused bid possibilities elsewhere."

Sun Life plunged a further 65 to 975p after Wednesday's 150 retreat, turning speculative attention across the full range of life companies. Abbey Life has been seen as a possible bid target for many some months.

There was heavy trading in Abbey shares which surged ahead to 334p before settling a net 10 higher at 323p on turnover of 7.5m shares — the highest for some time.

Buying of the shares gathered pace throughout the morning but dealers suggested that perhaps as much as 6m of the eventual turnover in Abbey had been accounted for by inter-marketmaker trading.





Property raid

After a few weeks in the doldrums the shares of Local London, the property group specialising in business centres, took-off spectacularly after leisure giant Brent Walker increased its stake from 4.9 per cent to 14.9 per cent. The [illegible] raid caught the market by surprise and Brent Walker's brokers James Capel had no trouble in picking up the extra 10 per cent, after offering shareholders 550p a share. By the close, Local London were 115 higher at 585p.

News of the raid sparked immediate speculation over Brent Walker's plans. The consensus in the market was that Mr George Walker, the group's chairman, wants Local London because of its 25 per cent stake in Marina Development Group (MDG) and might use Local London as a launchpad from which to make a bid for MDG. The speculation lifted MDG 33 to 388p.

The MDG link might not be the only reason for Brent Walker's move, say analysts, as Local London has attractions of its own. Mr Nigel Reed of Kitcat Aitken said: "We think that the move is a logical one, and if Brent Walker did make a bid for Local London they would find the company has a lot of interesting assets, not to mention a very good property team." Brent Walker closed 7 lower at 359p.

Gold Fields off

Persistent selling of Consolidated Gold Fields was largely ascribed to profit-taking, although some market sources began to take a more cautious view of the £2.9bn offer from Minorco. The shares ended 55 down at 1345 with turnover still high at 6m shares.

The shares bottomed out at 1340p after seeing steady selling pressure from an opening price of 1380p. The London market was critical of the Minorco paper which makes up a part of the bid offer, characterising it as "low yielding and Luxembourg-based".

RTZ closed little changed at 441p, with the market discounting suggestions it might counterbid for Gold Fields.

While the announcement of a Stock Exchange enquiry into pre-bid deals in Gold Fields had been widely expected, traders were still concerned that a referral to the UK Monopolies and Mergers Commission might mean delay in consummation of the bid.

Textile fallout

Courtaulds continued to experience a fallout from rival Coats Patons' mid-term trading setback which came as a shock on Monday. Coats' misfortune was owing largely to a poor performance by the UK clothing-related companies. Analysts have since taken a closer look at prospects for some Courtaulds divisions and, in particularly, the fibres and knitwear interests.

Hoare Govett is among the forerunners to lower its sights for both divisions. The overall effect means that the securities house now expects group profits to be £211m against the previous estimate of £225m. Hoare adds that "given the strength of the other divisions the stock is cheap, but, in the current sentiment, going nowhere fast". The shares, 305p before the Coats Patons news, lost 4½ more yesterday to 292p.

Vickers shoot up

Disappointing interim figures from Vickers, (£24.5m pre-tax against £25.5m), were quickly forgotten as the market turned its attention to stake building speculation. Adelaide Steamship, which is known to have a small holding in Vickers, was rumoured to have been purchasing further shares over the past few days.

Dealers said demand had been substantial and it was suggested that it had pushed Adelaide's stake to above the disclosable 5 per cent level. The Vickers share price closed 11 higher at 168p.

Commenting on the figures, the company said that the first half performance had been adversely affected by funding of the Challenger 2 tank and delayed divestment of the furniture businesses.

Lucas continued to trade in volume, although the figure of 6m shares was well down on the previous day's exceptional 19m. Marketmakers were uncertain whether Mr Asher Edelman, the US investor holding a stake believed now to exceed 5 per cent, was acquiring further shares.

But marketmakers spoke of several sizeable deals running the price higher to 309p before professional profit-taking set in. Sentiment was later affected by the tone of the wider market and the shares settled 3¼ down on the day at 304p.

Glaxo continued to claim the lion's share of business amongst international stocks. Some 5.6m shares changed hands as renewed US and domestic demand forced Glaxo up to 1059p before a close of 1048p, only marginally better on the day. Reuters, also the subject of transatlantic buying, moved ahead strongly to finish 16 higher at 483p. Hanson was briskly traded (6.7m) but the price remained at 142½p.

The banks made further progress but generally closed off their best levels. Talk of yet another bullish circular on the sector after the recent spate of buy recommendations on the grouping, gave a push to NatWest which moved up 5 to 557p. Barclays, on the other hand, were a disappointing market and dipped 3 to 394p, unsettled by the large selling order that went through the market on Wednesday.

Standard Chartered dropped 14 to 552p as Wednesday's bout of bid speculation gave way to widespread profit-taking.

Apart from the activity in Abbey Life and Sun Life, which spilled over into other life issues, the insurance sector was relatively quiet. Refuge jumped 12 more to 452p and Britannic, with a 7.29 per cent stake in Refuge, 10 to 359p.

Guinness quietly bought back more shares — before yesterday's purchases the grand total was 25m — but the price was hardly moved at 309p. Allied-Lyons rose 6½ late to 420p but Boddington fell away following an uninspiring first-half trading performance to end 3 down at 148p. Merrydown, at 410p, extended Wednesday's strength after a visit and ensuing update by Citicorp Scrimgeour Vickers.

Sears dropped 4 to 134p as the expected bid failed to materialise, but turnover at 6.7m remained healthy and dealers continue to suggest that an offer for the company will be made soon. Options in Sears were once again in great demand. The Storehouse share price has consistently tracked developments in Sears recently, and yesterday was no exception as the shares lost 6 to 190p.

Cable & Wireless hardened to 376p on turnover of 2.6m, still helped by Hoare Govett's upgraded profits forecasts. Turnover picked up in Plessey (2.2m) with the shares 2 off at 155p. GEC, with 4.1m traded, were a shade easier at 152½p. Speculative support lifted BSR 3 to 69p while news of the joint venture with Mitsubishi to produce railway equipment in Edinburgh and Gateshead, boosted NEI 2¼ to 97p.

Crown Communications moved ahead smartly on news of the £60m TV news contract from British Satellite Broadcasting and closed 16 up at 171p, but Filofax dipped 13 to 118p after disclosing sharply lower half-year profits.

Among easier Food stocks Cadbury Schweppes were lifted 4½ to 331½p by press speculation that a bid and break-up of the group is being plotted by US confectioners Hershey and UK leisure group Grand Metropolitan. Hershey was said to have bought the 18.3 per cent stake in Cadbury held by US drinks and entertainments group General Cinema. However, Mr Philip Nardone, a spokesman for General Cinema said: "We have not sold our stake and as far as I know we have no intention of doing so."

BMC's interim figures made good reading but the shares met with profit-taking and closed 9 down at 458p. Housebuilders enjoyed selective demand after recent figures from Barratt Developments and Tarmac with Persimmon noteworthy for a gain of 7 to 160p.

Spring Ram improved to 189p before drifting back to close only a shade dearer at 184p; there was slight disappointment with the interim figures. Renewed takeover enthusiasm lifted Pearson 11 further to 750p while Armour Trust rose 3 to 57 after news of the increased Grand Central stake, now up to 8 per cent.

Capital Radio raced ahead to close 24 to the good at 376p, highlighting some strong gains in the radio stocks. Prestwich, meanwhile, jumped 19 to 140p on news that a number of the company's directors and management personnel are examining the possibility of a management buyout.

Miss World, suspended at 310p prior to the reverse takeover by Red Rose Radio, were re-quoted at 400p and subsequently moved up to close at 440p.

Jaguar, rarely out of bottom gear these days, moved nearer the year's low point when selling connected with traded options activity annulled US buying interest. The shares ended 5 down at 239p. Lucas Industries ran into profit-taking after Wednesday's smart advance and lost 8 at 564p but FR Group improved to 209p, influenced by Kitcat & Aitken advice.

P&O resisted the wider market downturn, improving to 552p on recommendations from Kleinwort Grieveson and Hoare Govett. Mr Stephen Chapman, sector analyst at the latter house, thinks the downside in P&O shares is limited by the yield support and strong fundamentals, while the team at Kleinwort is forecasting a strong profits surge next year to £385m; its estimate for the current period is £315m.

Selected Textiles reacted badly to trading statements. News of a heavier loss at the half-way stage knocked Corah down 7 to 68p while little changed annual profits took John Haggas back 8 to 113p. Hicking Pentecost was another to suffer, despite comment that Telfos would soon make an offer, and closed 5 lower at 80p.

Increased profits were good news for miscellaneous financials which included Close Bros.(185p), Baltic (140p) and Antofagasta (306p), while Aitken Hume rose 5 more to 78p on persisting bid hopes.

The oil sector included a handful of minor features but turnover remained at minimal levels. News that BP has put a 20 per cent stake in the Magnus Field in the North Sea up for sale — tenders have been requested from 40 prospective sale — had little impact on BP shares which were little changed at 248p

Burmah, after strong support from one leading US securities house and also in the wake of a "buy" recommendation, added 6 at 535p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 38

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (69). AMERICANS (10) BANKS (3) Sec. Pacific, Wells Fargo, BREWERS (1) [illegible], BUILDINGS (1) Lafarge Coppee, CHEMICALS (1) [illegible], ELECTRICALS (5) Ericsson (L.M.), Hoped Int'l., Pifco, Polytechnic Elect., Wholesale Ftgs., ENGINEERING (3) ASW, Haden MacLellan, Thyssen, FOODS (1) BSN, INDUSTRIALS (3) Armour Trust, Wassall, LEISURE (4) Capital Radio, GWR, Miss World, Piccadilly Radio, MOTORS (1) Volvo, PAPERS (1) Crown Comms., PROPERTY (2) Erostin, Mountview Ests., SHIPPING (1) Gotaas, SOUTH AFRICANS (1) Abercom, TRUSTS (4) Br. Assets 6pc Cv. '95, Gartmore European, German Secs., Tor. Inv. Inc., OILS (2) Monument Oil, Peko Oil, OVERSEAS TRADERS (1) Finlay (J.). NEW LOWS (58).

BRITISH FUNDS (1) Funding 6pc 1993, CANADIANS (1) Madeleine Mines, STORES (1) Coats Viyella, ELECTRICALS (3) CPU Compt., Philips Fin. 5¼pc, Symons Compt., ENGINEERING (1) Dale Grp., FOODS (3) ASDA Grp., Hughes Foods, Morrison (Wm.) 5¼pc Pf., INDUSTRIALS (12) AAH, Assoc. Br. Eng., Coloroll, Copymore, Kitty Little, Kleen-E-Ze, Laidlaw Thomson, Pacer Systems, Pentland, Shiloh, Utd. Guarantee, Wade Potts., INSURANCE (1) Sun Life, LEISURE (1) Mecca Leis., MOTORS (1) Jaguar, PAPERS (1) City Of Lon. Pr., PROPERTY (1) Connells Est. Agts., SHOES (1) Fll Grp., TEXTILES (2) Haggas (J.), Stoddard, TRUSTS (2) Baltic 7pc Cv. Rd. Pf., Thai Euro Fd., OILS (4) Caspen Oil, Cluff Res., Firstland Oil, Petrogen Pet., OVERSEAS TRADERS (1) First Pac., MINES (22) Free State Dev., Brunswick, Julia Mines, Samson Expl.

APPOINTMENTS

Restructuring at Bass Group

BASS has appointed Mr P.C. Sherlock as an executive director and Mr K.H.M. Dixon as a non-executive director from October 1. Mr Dixon is chairman of Rowntree and vice-chairman of Legal & General Group.

Mr D.A. Urquhart retires from executive duties on March 5. Mr K. Richards has decided to retire from executive duties on May 4 for personal reasons. Both will remain on the board.

Bass is restructuring its operations into main business areas on October 1. They are: brewing and pub retailing, hotels and restaurants, leisure, soft drinks, wines & spirits and other activities.

Mr O.C. Darby is appointed managing director Bass UK beer division which will encompass: Bass Brewing, Bass Maltings, Bass Mitchells & Butlers, Bass North, Bass & Tennent Sales, Bass Wales & West, Charrington and Co and Tennent Caledonian Breweries.

Mr B.D. Langton will assume responsibility for Toby Restaurants in addition to his responsibility for Crest Hotels and Holiday Inns International.

Mr Sherlock is appointed to the board of Bass as managing director of a division to be known as Coral Leisure which will include existing Bass Leisure activities and, from March 1, Coral Racing.

Mr Duncan Lawton has been appointed deputy chairman of BRITISH VITA. He succeeds Mr Fernley Parker who becomes a non-executive director. Mr Lawton has been heading the group's expansion into Continental Europe.

Mr J.R.D. Swan will assume responsibility for beer marketing, Hedges & Butler and Alexis Lichine on March 1 and soft drinks (Britvic Corona) and off licences (Augustus Barnett) on May 1. Dr A.D. Portno will assume responsibility for business development.

■ Mr Martin Littlejones has been appointed managing director of KITTY LITTLE, Kitty Little Group's principal operating subsidiary. He is also sales development director of Kitty Little Group. He succeeds Mr Graham Webster, the chairman and managing director of Kitty Little Group, who intends to devote more time to the development of group strategy.

■ Mr Jim Graham has been appointed a director of GEOFFREY OSBORNE BUILDING. He was chief estimator. Mr Paul Hanly has also been appointed a director. He has been an area manager since 1980.

■ Mr Garf Collins, managing director of BIS Applied Systems, has joined the board of BIS BANKING SYSTEMS, another BIS Group company.

■ At HARRISON INDUSTRIES Mr Ken Wade has become chief executive. Mr Ken Harrison, formerly chairman and chief executive, will remain chairman. Mr Wade was chairman and chief executive of Pactol Electronics, a subsidiary of IMI.

■ UCL GROUP, the computer distribution and maintenance company, has appointed Mr Christopher Creighton Thomas as group managing director. Mr Tony Styles, corporate planning director, has been made deputy chairman.

■ NEWTON INVESTMENT MANAGEMENT has appointed Mr Nicholas Kirk its finance director. He was financial controller.

■ The RALPH M PARSONS COMPANY, the European operation of the international petrochemical group based in Pasadena, California, has appointed the following technical directors: Mr Amer Sarasam (process technology), Mr Jim Sullivan (project services), and Mr Roger Taylor (engineering). Mr David Beavis, company secretary, also becomes a director.

Mr Noel Kelly has been appointed chairman of HOMETUNE, the mobile home tuning company. He has been a director of the parent MCL Group for the last 10 years.

■ CROWN COMMUNICATIONS has appointed Mr Simon Maier as executive chairman of Crown Presentations. He also joins the board of Crown Television. He joins from ICM UK, where he was managing director.

■ Mr Jonathan Barnes has been appointed a director of LLOYD-ROBERTS & GILKES, Lloyds underwriting agents.

COMMODITIES AND AGRICULTURE

Ok Tedi 'halted by strikers again'

By Chris Sherwell in Sydney

THE HUGE Ok Tedi mine in Papua New Guinea, containing one of the world's biggest deposits of gold and copper, has again been halted by strikers reported to have gone on the rampage in a dispute over conditions.

"They have shut off the mine. The situation is serious," Mr Glen Andrews, the mine's general manager, was quoted as saying yesterday.

Reports from Port Moresby, the capital of Papua New Guinea, said strikers had looted bars, dug up roads, blocked airstrips and cut telephone lines.

Ok Tedi is located in the remote Star Mountains near the border with Irian Jaya. It is managed by Broken Hill Proprietary (BHP), Australia's largest company, which has a 30 per cent stake, along with Amoco. Another 20 per cent is held by the Papua New Guinea Government.

Bullion output in 1986 and last year was about 500,000oz but as gold reserves have become depleted, treatment of copper-ore reserves, which began in June last year, has increased. The gold reserves will be exhausted this year.

This year the mine was producing about 1,000 tonnes a day of copper concentrate in dried form, from a mill-throughput of 30,000 tonnes a day.

Yesterday's strike was the third this year. It represents a big setback, especially after a 12-day stoppage only last month which resulted in millions of dollars-worth of lost production.

A mine official was quoted saying it affected cashflow and had long-term effects on contracts and loan commitments.

EC cheese ruling

THE FREE movement of cheese was upheld by the European Court of Justice yesterday, Reuter reports from Luxembourg. The court ordered France to accept imports of West German edam, overruling French and Dutch objections.

Copper-bottomed programme successful in US

Kenneth Gooding on BP's Bingham Canyon lead in bringing mining operations back from the pits

BINGHAM CANYON, the world's deepest open-pit copper mine, provides a prime example of North America's so-called Lazarus mining operations.

These are the operations apparently killed off by the long period of extraordinarily low metal prices in the first half of the 1980s but which have had new life breathed into them.

There is to be a party today at Bingham, 25 miles from Salt Lake City in Utah, to celebrate its return from the dead and the completion of a $375m modernisation scheme.

However, the celebrations will be muted. Memories of the savage loss of jobs and huge pay-cuts imposed as part of the survival programme are too fresh in the minds of those who remain for joy to be completely unrestrained.

Bingham was shut down for nearly two years from March 1985 and has re-emerged as one of the world's leading copper mines only because dramatic changes have been made to cut its production costs. For in the mining industry survival depends mainly on making sure operations are among the world's least expensive.

The base-metal producer must strive to ensure that, if the bottom falls out of the market, his output costs are lower than those of most competitors and that competitors will be forced out of business first.

US mining companies were particularly vulnerable in the prolonged period of low metals prices in the first half of the 1980s. Bingham was typical.

Since 1936 it has been owned by Kennecott Corporation which became a wholly-owned subsidiary of British Petroleum, Britain's biggest company, last year.

Kennecott's management was lulled into a false sense of security by the high prices and high demand for copper which lasted for 25 years until the end of the 1970s. For most of that time copper supply was in the hands of relatively few companies which ensured production did not move too far ahead of demand to depress prices.

That all changed in the 1970s with the emergence of state-owned copper producers in the developing countries which now account for about 40 per cent of world output. Not only were their costs low, they did not automatically cut output at times of weak demand.

In good times Kennecott's management let costs swell. At headquarters in Salt Lake City many did unnecessary tasks, mainly within accounting and reporting.

Mr Frank Joklik, managing director, BP Minerals America of which Kennecott is now part, says: "A great deal of data was produced but not used by any senior management people. Many reports were either not used or were too historic. Not enough planning was being done."

In 1979-80 Kennecott started an urgent programme to cut costs. The axe fell heavily on the salaried workforce, cut by 45 per cent.

Just as important, Mr Joklik says, was the "change in corporate culture and management structure." Promotion to senior management is no longer by seniority but on merit. By the old system some senior executives treated promotion to top-level management as a long-service reward, he suggests.

He insists the cost-cutting programme between 1980-84, not capital investment, saved Bingham.

Manpower was cut: "We produced just as much copper in 1984 with 4,000 people as we did in 1980 with 7,000."

Suppliers contributed: "We leaned on the utilities and our suppliers to reduce costs and we introduced competitive bidding on contracts.

"We gained a 20 per cent reduction in costs in nominal dollars, not taking account of inflation which was running at 15 per cent a year at the time."

Kennecott had to tackle an hourly-paid workforce. That proved difficult: about 70 per cent of the mine-workers were represented by the USW (US Steelworkers) and their benefits were in line with those of the steel industry; five other unions were represented at the mine and demarcation disputes were common.

Kennecott's contract with USW was not due to end until June 1986 but the company tried to reopen talks in 1984.

These efforts proved fruitless and some Bingham mine operations were shut down in mid-1984. The rest went on to care-and-maintenance early in 1985, put out of business not only by the low copper price but by two of the worst winters ever recorded in the US, which added to Bingham's losses.

The talks with the USW continued through 1985, culminating in town meetings in Salt Lake City where as many as 2,000 employees were called together at one time to hear management presentations, see videos about the company's position and to ask questions.

"As you can imagine, the questions got pretty pointed at times," Mr Joklik recalls.

Kennecott braced itself for a strike but a secret ballot approved the management's final offer, which called for cuts draconian by any standard.

The remaining Kennecott workforce was to be cut from 4,000, eventually to 1,800, a measure including a 35 per cent reduction in the hourly-paid. Further, the hourly-paid accepted cuts in pay and benefits: the average mine worker was earning $24 an hour, including $8.50 in fringe benefits, in 1985; today the figure is $14.50, including $4 in benefits. Moreover, some restrictive working practices were cut from the contract.

For example, no longer did an electrician have to wait for a member of another union to travel five miles to unscrew a lid on equipment he had to repair; no longer did each work-crew comprise a fixed number of people even when there was nothing for some to do.

Mr Burgess Winter, who recently became the chief executive of Magma Copper, was Bingham mine's general manager. He recalls that the company won back a full hour in the working-day by ending coffee-breaks and clean-up time.

The new contract was for four years compared with three-year deals prevalent in the US mining industry. It gave no pay rises in the four years, nor did it offer bonuses should the copper price recover.

The main concession by the company in return was an undertaking to restart mining operations at Bingham when economically possible.

Modernising the out-dated equipment at the mine was considered as early as 1980 but not approved until 1984.

For most of that time Kennecott was owned by Standard Oil of Ohio (Sohio) in which BP had a majority shareholding. Mr Joklik says that it was not until the Kennecott management captured the attention of BP in London that the UK group decided to proceed with the modernisation scheme "at a time when putting money into copper was not a popular concept."

The modernisation required the building of crushing and conveying facilities in the big pit itself; a new grinding-and-flotation plant nearby; and a pipeline transportation system between mill and smelter. A five-mile long conveyor-belt transfers ore to the new concentrator, representing, says Mr Winter, the world's biggest materials-handling system.

The concentrator took $200m of the total outlay. From that facility, copper concentrate flows through a 17-mile pipeline to the smelter and there are two more pipelines of 13 miles each to take away waste products.

The scheme was brought in under budget and ahead of schedule and employees were paid two bonuses of $1,000 each in recognition of this achievement.

Bingham is now expected to produce 225,000 short tons of refined copper against 200,000 short tons before the modernisation.

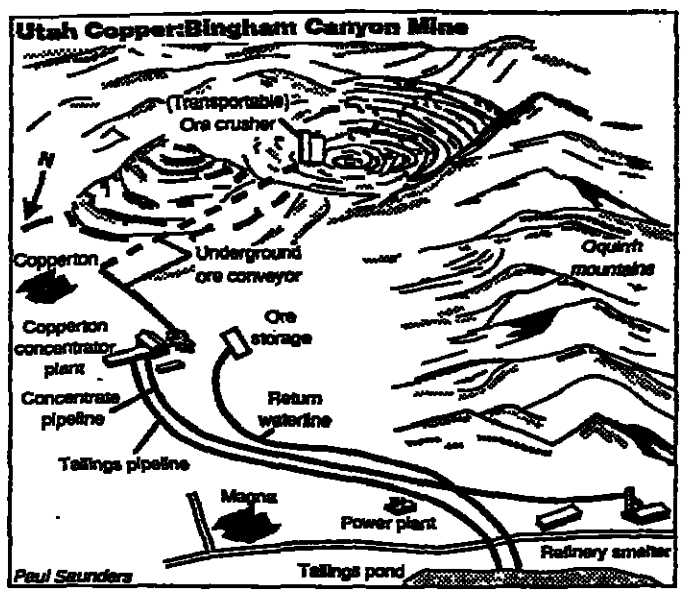
The most efficient part of the old plant has been kept going, partly because demand for copper and prices have been high.

The mine will produce by-products, the value of which will help to cut the cost of the copper, including about 300,000 troy oz of gold, 2.5m troy oz of silver and 10m lb of molybdenum.

Mr Joklik says: "In 1980 it cost us nearly $1 a lb to produce copper when the price was below 60 cents. By 1984 we had reduced the cost to 70 cents, despite inflation. After resumption of work with the new contract the cost was below 55 cents.

"Now the modernisation is completed the cost will be more in the range of 30 cents or perhaps lower, depending on the value of the by-products."

That puts Bingham among the least-costly producers in the world, able to compete even with such as the massive new Escondida project in Chile, scheduled to produce copper at about 40 cents a lb



World grain output forecasts reduced

By David Blackwell

THE DROUGHT in North America coupled with a recent decline in prospects for the Soviet harvest are behind a substantial reduction in the International Wheat Council forecasts for 1988-89 world grain production.

The council, in its market report, has cut its estimate of wheat production to 502m tonnes, about 8m tonnes less than it forecast last month and 11m tonnes down on 1987-88.

It puts coarse-grain production at 712m tonnes, also 8m tonnes down on last month's estimate, and 86m tonnes less than in 1987-88.

The smaller harvests will mean consumption in 1988-89 can be met only by a substantial drawdown of stocks, the council says.

By the end of the year, stocks of wheat are estimated at 94m tonnes, and stocks of coarse grains are put at 129m tonnes, that is, respectively, 27 per cent and 45 per cent down on figures for the previous year.

The council says: "Concern has therefore been expressed that stocks at the end of the season could be insufficient to afford the necessary margin of security."

The council says it appears unlikely that stocks at the end of 1989-90 will approach "previous burdensome levels."

That is even allowing for a review of support policies in main grain-exporting countries and favourable weather.

The report forecasts a rise of 4m tonnes in Soviet grain imports, to 30m tonnes this year. The council expects the Soviet harvest to reach 200m tonnes, compared with the official target of 235m tonnes.

Hot and dry weather conditions in some of the main Soviet growing-areas have led to a reduction of 5m tonnes, to 85m tonnes, for the wheat harvest forecast.

The council puts the coarse-grain harvest at 101m tonnes, down 9m tonnes, with the barley crop affected most.

Combined shipments by four leading wheat exporters – Argentina, Australia, Canada and the US – are forecast to drop by 15m tonnes.

The European Community, the fifth big exporter, is likely to make up the shortfall with record sales of 20m tonnes.

The North American drought has been particularly bad for Canada, which already had carryover stocks from the previous year at only 70 per cent of the normal level, the report says. Total shipments are forecast at 12m tonnes, half the 1987-88 level.

Malaysian rubber 'hit by Taiwan, China defaults'

By Wong Sulong in Kuala Lumpur

MALAYSIA's RUBBER trade is reported hit by big defaults by Taiwanese and Chinese buyers of latex concentrate, following the sharp fall in the commodity's prices in recent weeks.

Taiwanese traders and Hong Kong agents, acting for provincial Chinese authorities, had contracted large quantities of latex concentrate in May and June when a scramble for latex sent prices to an all-time high of 10 ringgit a kg.

The price of latex has since fallen to about 5 ringgit a kg, and Taiwanese and Hong Kong buyers are finding it cheaper to default and forfeit deposits.

Latex concentrate is needed to make rubber gloves and condoms, demand for which has been greatly boosted by AIDS, a disease.

Malaysia, with a current annual capacity of 350,000 tonnes of latex concentrate, is supplying 80 per cent of world demand for this grade, though other south-east Asian rubber-producers are also rapidly switching to latex production, which, at current prices, is still lucrative compared with other grades.

The switch to concentrate has prompted some Malaysian sheet-rubber factories to buy rubber from Liberia and Nigeria, to make up the shortfall.

Venezuelan oil reserves growth predicted

By Joe Mann in Caracas

VENEZUELA'S NATIONAL oil company, Petroleos de Venezuela SA, expected to add 6.4bn barrels of light and medium-crude oil to its proven, probable reserves from next year to 1994, Mr Arevalo Guzman Reyes, a board member, said at a geophysical conference in Caracas.

He said it expected to add these reserves by exploration requiring $903.4m investments.

PDVSA will drill 102 exploratory wells and carry out 33,200km of seismic work through 1994 in identifying new oil deposits. It found big reserves of light and medium oil recently in east Venezuela.

Winnipeg exchange appoints president

By David Owen in Toronto

THE Winnipeg Commodity Exchange has appointed a president three months after Mr Douglas Ford left to assume the vice-chairmanship of the troubled Hong Kong Futures Exchange.

He is Mr Bob Purves, president of Inter-Ocean Grain and a member of the exchange for 40 years.

Mr Purves, who is a former chairman of the Winnipeg Commodity Exchange, takes up the presidential post next month. Among his other accomplishments he is honorary consul of Finland for the province of Manitoba.

Mr Purves takes the helm at a reasonably prosperous time for the 100-year-old exchange. Volume for the year ending July 31 was up 23 per cent on 1986-87 levels, at 2.8m contracts. Rapeseed futures accounted for almost 50 per cent of this, with 1987-88 turnover totalling 1.36m lots.

Among the priorities on the new president's agenda will be resumption of talks with the Canadian Government on the possible deregulation of the domestic premium oats market.

Currently the Canadian Wheat Board has exclusive jurisdiction over oats for human consumption and for export.

Mr Purves says: "The idea is that with the current era of deregulation, the Government might be receptive to returning oats to the open market."

If the exchange were to be successful in its aims, a product would probably be launched, upgrading the existing, lightly-traded feed-oats futures contract to stipulate delivery of premium grade oats.

Mr Purves is also optimistic that a cash-call rapeseed contract will be trading at the exchange by the end of the year.

"The innovation would actually be a forward market operating for 30 minutes after the close of rapeseed futures trading.

Mr Purves characterised it as a Bandaid, needed to help the market function as smoothly as possible in the light of some physical market restrictions."

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD FELL through the $400-an-oz level yesterday and stayed there. Shortly after midday it reached a $392.25 low, weakened by panic producer and stop-loss selling. It recouped some of the losses to close at $397.25 an oz, a fall of $4 to follow Wednesday's $9 decline. Good support was evident around the low but the overall trend still appeared to be downward, dealers said. Chartists said a decline to about $375 was possible in the near future. Copper prices recouped most of Wednesday's losses on the LME, closing at the day's ring high. The rise was fuelled by a sharp dip in sterling versus the dollar and a rally on Comex which traders said was on covering sparked by rumours, subsequently denied by the White House, that President Ronald Reagan had suffered a heart attack.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$11.73-1.80z	-.125
Brent Blend	$13.33-3.43q	-0.20
W.T.I. (1 pm est)	$14.57-4.60z	-0.07

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-174	
Gas Oil	$118-121	
Heavy Fuel Oil	$81-82	-1
Naphtha	$132-134	-2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$397.25	-4.00
Silver (per troy oz)♣	621c	-1
Platinum (per troy oz)	$491.00	-1.75
Palladium (per troy oz)	$118.5	
Aluminium (free market)	$2390	+55
Copper (US Producer)	118¾-21¾c	
Lead (US Producer)	37c	
Nickel (free market)	510c	-20
Tin (European free market)	£4420.0	-12.5
Tin (Kuala Lumpur market)	19.57r	+0.06
Tin (New York)	344c	
Zinc (Euro. Prod. Price)	$1312.5	
Zinc (US Prime Western)	63¾c	
Cattle (live weight)†	112.12p	-0.72*
Sheep (dead weight)†	145.93p	-7.16*
Pigs (live weight)†	72.67p	-0.41*
London daily sugar (raw)	$250.5x	+2.0
London daily sugar (white)	$246x	+1
Tate and Lyle export price	£250	+2
Barley (English feed)	£111.25q	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£126q	
Rubber (spot)♥	62.25p	-0.25
Rubber (Oct)♥	68.75p	-0.25
Rubber (Nov)♥	69.25p	-0.25
Rubber (KL RSS No 1 Oct)	302.5m	-1.5
Coconut oil (Philippines)§	$580x	+15
Palm Oil (Malaysian)§	$435	
Copra (Philippines)§	$385	
Soyabeans (US)	$205	+3
Cotton "A" index	56.05c	-0.25
Woolltops (64s Super)	655p	-5

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct. z-Sep/Oct. x-Oct/Nov. w-Nov/Dec. v-Oct/Dec. z-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	840	845	856	835
Dec	770	776	790	767
Mar	770	779	792	768
May	780	779	790	773
Jul	800	793	805	795
Sep	814	812	820	812
Dec	854	855	862	852

Turnover: 3518 (4080) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 22: 961.30 (957.88) :10 day average for Sep 22: 961.48 (961.34).

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1161	1160	1160	1150
Nov	1141	1138	1148	1131
Jan	1112	1110	1111	1102
Mar	1090	1085	1100	1085
May	1086	1085	1092	1080
Jly	1085	1084	1090	1080
Sep	1085	1080	1085	1085

Turnover: 3178 (4805) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Sep 21: Comp. daily 114.16 (113.63); 15 day average 112.38 (112.00).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	218.40	219.40	221.40	217.80
Dec	212.60	213.00	214.00	
Mar	213.00	213.00	216.00	212.60
May	210.60	210.20	213.00	210.40
Aug	209.20	208.40	209.60	
Oct	206.40	208.00	209.00	206.40

White	Close	Previous	High/Low	
Dec	238.50	237.00	238.50	238.00
Mar	241.50	241.00	242.40	238.80
May	242.50	242.50	243.00	242.00
Aug	244.00	244.00	244.00	

Turnover: Raw 3218 (4598) lots of 50 tonnes. White 572 (1234).
Paris- White (FFr per tonne): Dec 1550, Mar 1540, May 1545, Aug 1555 Oct 1560, Dec 1565

GAS OIL $/tonne

	Close	Previous	High/Low	
Oct	120.25	120.50	120.50	119.50
Nov	122.25	122.25	122.75	121.25
Dec	124.25	124.25	124.50	123.25
Jan	124.25	124.25	124.50	123.50
Feb	123.50	123.25	123.50	123.00
Mar	121.75	122.00		
Apr	119.25	118.50	119.25	

Turnover 3709 (3535) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	107.00	107.60	107.60	107.00
Nov	108.50	109.15	109.20	108.50
Jan	111.30	111.85	111.90	111.30
Mar	113.90	114.40	114.50	113.90
May	116.70	117.00	117.05	116.70
Jun	118.40	118.70	118.40	

Barley	Close	Previous	High/Low	
Sep	104.30	104.30	104.80	104.30
Nov	106.40	106.20	106.45	106.10
Jan	109.00	108.95	109.15	108.90
Mar	111.15	110.85	111.15	110.90
May	113.10	113.00	113.10	112.85

Turnover: Wheat 370 (212), Barley 228 (317).
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,650 tonne
Cash	2436-40	2350-60	2380	2385-95		
3 months	2385-8	2340-60	2393/2320	2380-1	2377-80	10,081 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 10,425 tonne
Cash	1312-20	1382-92	1304	1304-5		
3 months	1365-5	1347-9	1350/1358	1360-2	1378-80	41,418 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,550 tonne
Cash	1469-70	1447-8		1448-50		
3 months	1418-9	1394-4.5	1419/1400	1402.5-3.5	1417-8	62,376 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1390-400	1375-85		1380-90		
3 months	1370-80	1360-70		1360-70		15 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	620-3	617-20		610-3		
3 months	633-6	630-3		623-6		460 lots
Lead (£ per tonne)						Ring turnover 5,650 tonne
Cash	360.5-1.5	357.5-8		359-60		
3 months	365.5-6.5	361-2	368/363	365-6	365-7	10,426 lots
Nickel ($ per tonne)						Ring turnover 1,530 tonne
Cash	10800-900	11000-100	11000/10950	10850-950		
3 months	10050-100	10100-25	10200/9900	10100-50	10050-150	6,001 lots
Zinc ($ per tonne)						Ring turnover 7,800 tonne
Cash	1291-5	1292-3		1290-5		
3 months	1269-70	1270-2	1275/1256	1268-70	1270-1	20,003 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	54.8	55.5	55.0	54.5
Feb	66.0	65.5		
Apr	90.9	91.5	91.8	90.8
May	101.5	101.5	101.1	

Turnover 158 (88) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	176.00	175.00	174.50	
Dec	182.50	183.00	183.50	182.80
Feb	188.50	188.00		
Apr	186.50	185.00		

Turnover 128 (337) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Sep	1305	1304	1305	1304
Oct	1435	1425	1435	1418
Jan	1500	1488	1500	1482
Apr	1534	1525	1535	1528
Jul	1340	1331	1340	1335
BFI	1283	1285		

Turnover 171 (213)

FRUIT AND VEGETABLES

The first new season homegrown cox's are available at 45-55p a lb, while French golden delicious 30-50p and English worcesters 25-50p remain plentiful, reports FFVIB. Oranges 8-25p each, lemons 12-18p and mangoes 40-90p are unchanged, and homegrown blackberries are 50-60p a ½ lb. Red and yellow peppers are £1.50-2.20 a lb (60p-£2.20). English sweetcorn are 20-30p (15-20p) a cob and marrows 20-45p each. Leeks 40-55p a lb and cauliflowers 25-50p each are still abundant. Jersey outdoor tomatoes are 30-50p a lb. Quality homegrown celery is 30-50p a head, and British iceberg 40-75p each and round lettuce 18-28p is still abundant. Cucumbers 30-60p each, hothouse tomatoes 35-52p a lb and spring onions are 20-40p a bunch.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	397-397½	235¼-235¾
Opening	398¾-399¼	235¾-236¼
Morning fix	399.6	236.167
Afternoon fix	397.75	237.96
Day's high	400¼-400¾	
Day's low	391¾-392¼	

Coins	$ price	£ equivalent
Maple leaf	408-413	244¼-247¼
Britannia	408-413	244¼-247¼
US Eagle	408-413	244¼-247¼
Angel	403-405	241¾-244¼
Krugerrand	396-399	237¼-238½
New Sov.	93½-95½	56-58
Old Sov.	93½-95½	57¼-58
Noble Plat	502.65-509.1	301.05-304.95

Silver fix	p/fine oz	US cts equiv
Spot	365.80	616.65
3 months	373.75	629.70
6 months	381.50	643.15
12 months	414.50	672.00

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2300	146	234	56	122
2400	92	131	101	178
2500	54	94	162	234
Copper (Grade A)	**Calls**		**Puts**	
2300	223	208	16	134
2400	148	160	40	185
2500	90	122	80	244

US MARKETS

AFTER FALLING to a 19 month low, gold prices rallied back to close above 400 in the December contract, reports Drexel Burnham Lambert. Most other metal markets seemed to be over shadowed by the gold. Short-covering by commission houses helped silver gain 7 and platinum 5 dollars. Copper prices recovered from the previous decline by advancing 300 points. New long positions by the trade added some of the strength. Most of the other commodity markets had a quiet day. In the softs, sugar was steady as light fund and commission house activity was featured. Cocoa lost 19 in December as arbitrage selling was seen. Coffee prices fell 100 but volume was very light. The grain market rallied on commercial buying near the close, after being lower for most of the day. Soybeans gained 4½, corn 3½ and December wheat was up 6¾. Cotton futures also gained strength near the close as local traders dominated the market. Prices advanced 90 in the December contract. In energy trading, crude prices were steady as local traders tried to rally the market.

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	14.63	14.56	14.64	14.45
Dec	14.35	14.35	14.44	14.24
Jan	14.37	14.27	14.38	14.20
Feb	14.35	14.24	14.35	14.18
Mar	14.33	14.20	14.33	14.27
Apr	14.35	14.18	14.30	
Jun	14.40	14.38	14.42	14.40

HEATING OIL 42,000 US galls; cents/US galls

	Latest	Previous	High/Low	
Oct	4120	4100	4145	4075
Nov	4180	4177	4220	4155
Dec	4255	4243	4290	4230
Jan	4310	4295	4350	4280
Feb	4290	4278	4310	4270
Mar	4150	4133	4195	4145
Apr	4000	4018	4030	4000
Jun	3930	3905	3930	3905

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1216	1235	1246	1185
Mar	1184	1214	1215	1179
May	1200	1220	1225	1195
Jul	1240	1246	1246	1221
Sep	1268	1269	1270	1250
Dec	1294	1308	1308	1283

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	125.63	127.04	128.95	125.60
Mar	125.43	128.28	128.40	126.30
May	125.20	125.75	126.75	125.15
Jul	125.00	125.15	125.15	124.75
Sep	124.88	124.75	124.85	124.50
Dec	122.88	122.60		

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.90	9.72	10.02	9.80
Jan	9.11	8.70	9.40	9.40
Mar	9.32	9.31	9.48	9.31
May	9.19	9.16	9.31	9.19
Jul	9.06	9.05	9.23	9.08
Oct	9.01	8.97	9.10	9.08
Jan	8.63	8.49	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	53.10	51.95	53.20	52.36
Dec	51.20	50.60	51.30	50.65
Mar	51.40	50.68	51.56	50.75
May	51.65	51.06	51.70	51.30
Jul	52.35	51.90	52.35	51.67
Oct	52.80	52.10	52.70	52.70
Dec	53.38	52.40	53.30	52.70

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	175.65	174.40	175.80	174.80
Jan	165.35	165.30	165.85	165.50
Mar	162.25	162.55	163.25	161.25
May	163.85	162.35	165.25	163.25
Jul	163.85	161.80	163.70	163.70
Sep	164.85	160.10	160.10	160.10
Nov	162.25	160.80	0	0
Jan	162.25	160.80	0	0

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	399.3	398.4	399.3	398.8
Oct	400.0	392.2	400.4	395.0
Nov	401.4	401.6	0	0
Dec	404.6	404.0	405.5	399.0
Feb	408.1	407.3	410.2	400.0
Apr	414.9	414.3	416.0	410.0
Jun	420.1	419.5	420.8	415.0
Aug	425.7	425.1	424.0	424.0
Oct	431.3	430.5	432.3	423.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	496.6	495.1	0	0
Jan	501.2	493.0	500.0	486.0
Apr	498.2	497.0	495.5	494.0
Jul	492.5	493.5	498.8	496.5
Oct	510.6	503.1	513.5	507.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	626.0	617.7	622.5	618.0
Oct	629.7	620.7	0	0
Nov	631.1	623.4	0	0
Dec	635.3	626.1	638.0	623.0
Jan	640.1	632.8	640.0	628.0
Mar	649.9	641.8	651.0	636.0
May	658.7	650.3	658.0	646.0
Jul	670.2	662.9	671.0	656.0
Sep	680.5	673.3	679.0	674.0
Dec	696.3	689.3	696.0	680.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	118.55	115.20	118.15	113.00
Oct	112.85	110.55	111.75	111.60
Dec	108.95	105.60	110.00	110.60
Jan	101.60	98.80	0	0
Mar	98.85	94.90	98.90	94.90
May	95.30	92.90	95.30	92.90
Jul	91.90	90.10	91.90	89.50
Sep	89.90	87.90	89.90	88.50
Dec	87.90	85.75	87.50	86.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 21	Sept 20	mnth ago	yr ago
1839.5	1861.0	1850.0	1684.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	132.70	133.05	132.89	128.29
Futures	133.87	134.63	138.31	131.23

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	849/0	837/4	849/0	815/0
Jan	852/4	847/2	853/0	828/0
Mar	859/4	854/4	860/0	833/0
May	859/4	855/4	855/0	832/0
Jul	844/2	844/0	848/4	827/0
Aug	832/0	832/0	835/0	816/0
Sep	779/0	774/0	780/0	762/0
Nov	740/0	738/0	742/0	727/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	24.92	25.05	25.02	24.26
Dec	25.37	25.23	25.63	24.77
Jan	25.70	25.76	25.80	25.05
Mar	26.07	25.85	26.00	25.55
May	26.40	25.80	26.00	25.85
Jul	28.40	26.50	26.50	26.00
Aug	26.25	26.20	26.30	25.80
Sep	26.10	26.10	26.10	25.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	262.4	261.2	262.8	254.3
Dec	263.2	262.2	264.0	256.0
Jan	263.0	262.2	264.0	255.8
Mar	262.2	261.5	262.5	256.0
May	257.7	256.2	259.0	251.5
Jul	256.0	254.7	256.0	249.5
Aug	245.5	248.0	250.0	243.0
Sep	235.5	238.5	238.0	233.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	291/2	287/4	291/6	286/2
Dec	290/0	289/4	290/4	285/0
Mar	289/0	292/4	298/0	289/6
May	299/2	295/0	299/0	289/6
Jul	276/6	276/0	277/4	272/4
Sep	265/4	265/0	265/4	261/0
Dec	273/0	0	0	

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	425/4	419/6	427/0	418/0
Mar	431/4	425/0	432/0	421/2
May	407/0	401/4	408/0	398/0
Jul	376/4	372/0	377/0	368/0
Sep	379/4	374/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	69.40	69.10	69.47	68.92
Dec	71.40	70.97	71.42	70.82
Feb	72.45	72.00	72.50	72.02
Apr	74.05	74.12	74.17	73.95
Jun	73.30	73.42	73.50	72.97
Aug	71.45	71.35	71.20	70.75
Sep	70.60	70.50	0	0
Oct	70.00	70.40	70.25	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	38.25	38.77	38.30	38.70
Dec	41.47	40.90	41.45	40.67
Feb	44.80	44.55	44.70	44.05
Apr	44.05	44.02	44.30	43.85
Jun	48.57	48.37	48.57	48.35
Jul	48.20	48.17	48.20	48.80
Aug	46.40	46.30	46.45	45.98
Oct	42.40	45.25	45.10	

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	52.15	50.85	52.20	50.25
Mar	52.62	50.80	52.30	50.10
May	54.00	52.50	54.05	52.25
Jul	54.27	53.00	54.70	52.80
Aug	52.40	51.45	52.40	51.60

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

HONG KONG

SINGAPORE

JAPAN

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices September 21

MONTREAL

Closing prices September 21

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices September 22

Continued from page 43

TOKYO - Most Active Stocks

Thursday 22 September 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	145.8m	780	-9
Kawasaki Steel	117.6m	647	+5
NKK	87.8m	772	+2
Tokyo Gas	35.5m	1,310	+10
Sumitomo Metal	34.1m	658	-13
Honshu Paper	18.5m	1,000	+63
Mitsubishi Heavy Pulp	17.2m	930	-15
Kobe Steel	16.1m	582	-13
Tobu Rail	14.2m	1,2000	+10
Sanyo Kokusaku Pulp	11.1m	985	+18

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

TRADING ACTIVITY

CANADA

TORONTO

MONTREAL

NEW YORK ACTIVE STOCKS

	Sept 22	Sept 21	Sept 20	Sept 19	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1541.7	1543.6	1546.7	1539.5	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	696.2	694.8	699.9	693.5	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	202.7	201.8	201.5	201.8	202.7 (22/9)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5257.5	5315.1	5210.7	5150.0	5315.1 (21/9)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	227.30	224.37	223.21	227.86 (3/8)	180.68 (4/1)
FINLAND						
Unitas General (1975)	700.7	701.9	701.3	704.2	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	371.6	366.6	364.7	366.6	371.6 (22/9)	251.3 (29/1)
Ind. Tendance (31/12/87)	143.7	141.4	139.0	139.5	143.7 (22/9)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	515.58	518.40	513.04	515.09	518.40 (21/9)	396.40 (29/1)
Commerzbank (1/12/53)	1567.3	1576.40	1558.70	1565.20	1576.40(21/9)	1207.9 (29/1)
DAX (30/12/87)	1253.68	1260.99	1245.98	1252.66	1260.99 (21/9)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2455.84	2432.00	2423.23	2447.58	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	(u)	524.87	524.24	526.13	545.07 (18/3)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27428.31	27712.66	27548.58	27901.00	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2108.55	2122.03	2123.64	2151.86	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	270.7	270.9	268.7	269.2	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	228.2	227.2	225.9	226.4	239.3 (9/8)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	385.03	384.35	382.70	387.14	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1045.86	1046.53	1039.90	1062.52	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1202.0‡	1209.0	1236.0	1213.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1662.0‡	1664.0	1664.0	1663.0	1758.0 (20/7)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	275.21	276.64	276.91	278.91	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3124.50	3085.20	3061.60	3045.30	3124.50 (22/9)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(u)	559.10	554.0	555.80	559.10(21/9)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	440.4	439.8	441.7	465.2 (15/6)	401.0 (21/1)

**Saturday Sept. 17: Japan Nikkei (c) and TSE (c).

‡ Subject to official recalculation

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

3pm prices September 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	19	214	26⅛	25¾	26¼	+ ¼
10⅛	9¼	ACM n				142	9⅜	9¼	9⅜	
12⅛	8¾	ACMIn n1.26a		11.		295	11⅛	11	11	
12⅛	10⅝	ACMSc n1.26		12.		981	10⅞	10¾	10⅞	
10⅛	8⅞	ACMSp n.25a		2.8		263	9⅛	9	9	– ⅛
28⅞	10½	AGS			20	1228	28⅛	28⅛	28⅛	– ⅛
7¼	2⅝	AMCA				6	3⅞	3⅞	3⅞	+ ⅛
7⅞	3¼	AM Intl				1385	5½	5¼	5⅜	– ⅛
28½	17	AM Int pf 2		9.4		238	21½	21	21⅜	– ⅜
57½	26¼	AMR			9	2069	46⅝	45⅞	45⅝	– 1⅛
27	25	ANR pl 2.67		10.		168	26½	26¼	26½	
24⅞	19	ANR pf 2.12		8.8		1	24	24	24	
10¼	5⅞	ARX			11	79	7	6⅞	7	
70½	35¼	ASA	3	8.2		277	36⅝	36¼	36½	
22⅞	9½	AVX	.08e	.3	11	67	18¼	18	18	– ⅛
61⅞	40	AbtLab	1.20	2.5	16	1677	49	48¼	48⅞	– ⅛
27¼	15⅞	Abitibi g	1			103	16¼	16⅛	16⅛	– ⅛
16½	8½	AcmeC	.40	4.4		54	9½	9	9	– ⅛
9½	6⅝	AcmeE	.32b	4.7	49	103	6⅞	6⅝	6⅞	+ ⅛
20	14⅛	AdaEx	3.05e	20.		54	15⅝	15½	15½	
19¼	6⅞	AdamMl	.24	1.5	16	42	16½	16½	16½	+ ⅛
24⅞	7½	AMD				3791	11½	11	11¼	+ ¼
58¼	29¼	AMD pf	3	8.4		5	35¾	35¼	35¾	+ ¼
9¼	4⅞	Adobe				6	7½	7½	7½	+ ⅛
19⅛	16¼	Adob pf	1.84	10.		20	17¾	17½	17¾	+ ¼
21¼	17½	Adob pf	2.40	11.		1	21	21	21	
12⅞	5⅞	Advest	.12	1.4	16	72	8½	8⅜	8⅜	– ⅛
61¼	39½	AetnLf	2.76	5.4	8	1006	52¼	51⅛	51⅛	– 1
38¼	20½	AhlPb s	.20	.7		882	27½	26⅞	27	– ½
20⅞	13	Ahmans	.88	5.7	10	1585	16⅛	15½	15½	– ½
4⅞	1⅞	Aileen				7	4⅛	4	4	– ⅛
60⅞	29	AirPrd	1.20	2.9	11	581	41⅜	40⅞	41⅛	– ⅛
27½	11⅛	AirbFrt	.60	3.2	25	392	18⅞	18⅛	18⅝	+ ⅜
16⅞	6¼	Airgas			17	31	14⅞	14¾	14¾	+ ⅛
20	13½	Airlease	2.40	12.	10	32	19⅝	19½	19½	– ¼
[illegible]										

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12½	3¼	Raytch	.05e	1.3	67	50	4	4	4	–⅛
[illegible]										

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60¾	50	Xerox	3	5.5	10	1351	54⅞	54¼	54½	–⅛
36	19⅛	XTRA	.72	2.1	14	84	34⅛	33¾	33¾	–⅛
29¾	19½	XTRA pf1.94		6.9		100	28⅛	28	28⅛	+⅛
59¾	17½	Yorkln			15	18	52¾	52⅝	52⅝	
5¼	2⅛	Zapata				89	2⅝	2⅝	2⅝	
37	13½	Zayre	.40	1.6	185	9711	25⅛	24⅝	24⅞	–⅛
16⅛	8¾	Zemex	.40	2.9	16	60	14⅛	14	14	+⅛
30	10	ZenithE				2306	20⅝	19⅞	20⅛	–⅝
10¾	9½	Zenix n .36e		3.8		277	10	9⅞	10	+⅛
7⅝	1	vjZenLb				3559	2⅝	2	2¼	–⅜
21⅝	12¼	ZenNtl .80b		4.4	9	105	18½	18¼	18⅜	–⅛
19¾	11⅛	Zero	.40	2.5	14	255	16⅜	15⅞	16⅛	+⅛
28⅞	15	Zurn	.62	2.6	16	363	25⅞	25⅛	25⅞	+⅜
11¼	7⅝	Zweig	1.05e	10.		511	10½	10¼	10¼	–⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 22

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

Continued on Page 41

AMERICA

Dow falls in low volumes on futures-related activity

Wall Street

THERE was little momentum for share prices yesterday and volumes remained low in a session which saw some early futures-related programmes – pushing the market lower – and some unfounded rumours that President Reagan had suffered a heart attack, *writes Janet Bush in New York.*

The early futures-related selling pushed the Dow Jones Industrial Average down by more than 10 points in early trading and by 2pm the index stood 12.26 points lower at 2,078.24.

Volume totalled 97m shares by midsession but a large proportion of this was accounted for by the early stock index arbitrage. Genuine activity remained light.

US Treasury bonds were virtually unchanged across the yield curve for most of the morning but showed some slippage at midsession. The Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 9.02 per cent.

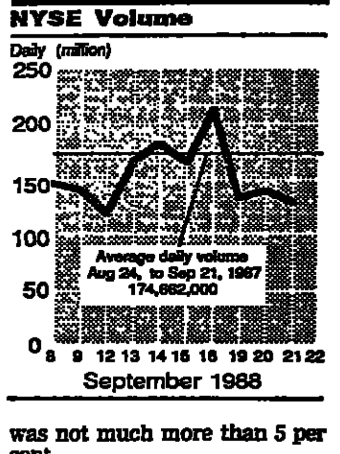
There was little to provide the market with interest yesterday with no key economic figures due for release and no surprises in the batch of figures published on Wednesday.

The only area of volatility in US financial markets was on the foreign exchange market where traders sold the dollar on rumours that President Reagan had suffered a heart attack. The White House issued a denial and short-covering pushed the dollar sharply higher again, prompting modest intervention to stop its rise by the US Federal Reserve.

The only figures released were initial claims for state unemployment insurance, looked at for clues on employment trends, which showed a fall of 16,000 in the week ended September 10. These figures had little impact although economists at Griggs & Santow said they were indicative of strong employment numbers for September.

Bear, Stearns said yesterday that economic and investment fundamentals warranted equal holdings of stocks and bonds and below-average cash positions. The company's portfolio strategists said that the downward risk from current prices in the stock and bond market was not much more than 5 per cent.

NYSE Volume



However, despite the fact that many analysts believe investors should be getting into the stock market, participation remains at a very low ebb and investors still seem to be extremely nervous. The market's sharp fall on Monday and sideways drift on subsequent days has disappointed professionals in the market as well.

Among blue chip issues, International Business Machines was quoted $¼ lower at midsession at $113, Merck was $¼ down at $58¼, Procter & Gamble slipped $⅝ to $78½ and American Telephone & Telegraph was quoted $⅛ lower at $26⅝.

Among featured individual stocks was Coleman Co, which rose $3⅝ to $39⅝ following the death of the company's chairman Mr Sheldon Coleman.

Zero Corp added $⅝ to $16. Mr Wilford Godbold, the company's president, said yesterday that he was actively exploring acquisitions in the electronics products industry. He was countering speculation that Coleman itself would be a good candidate to be taken over.

American Hoist & Derrick dropped $1¼ to $9½ after the company said that its earnings for the third quarter had dropped sharply from a year ago. Its net income of 2 cents a share in the latest quarter was well below analysts' forecasts.

Canada

WEAK energy issues and industrial stocks pulled Toronto shares slightly lower in brisk midday trading.

The composite index, which had risen about 3 points in earlier trading, slipped 1.6 to 3,257.1 as declines outnumbered advances by 282 to 228 on active turnover of 17.2m shares.

Among most active stocks, Nova of Alberta lost C$¼ to C$11⅛, Trimac dropped 25 cents to C$3.85 and Doman Industries was unchanged at C$9⅞.

A slip in the price of oil hit some energy issues, with Texaco Canada off C$⅛ at C$37⅞ and Ranger Oil weakening C$⅛ to C$7, but Gulf Canada Resources ended unchanged at C$16¼.

In industrials, Dofasco lost C$⅛ to C$27⅞, Molson class A declined C$⅛ to C$25⅝ and Varity was unchanged at C$3.40.

Alcan Aluminium, which said it had moved forward the commissioning of its Laterriere aluminium smelter by 14 months to October next year, fell C$⅛ to C$35⅞.

Among other base metal miners, Inco and Falconbridge were steady at C$33⅛ and C$20 respectively and Noranda was off C$¼ at C$21⅞.

Austrians start to cast caution to the wind

Judy Dempsey on a change of attitude that has helped to blow Vienna to a year high

RENEWED foreign buying, a clutch of new listings in the near future and changing attitudes among cautious Austrian investors have given the share index of the Vienna bourse a much-needed lift over the past few weeks.

The Credit Aktien index climbed yesterday to a high for the year of 202.7, a gain of 23 per cent since the low of 163.98 reached in February. Yesterday's close is still below the 229 mark of a year ago, but bankers believe the bourse is finally coming out of the doldrums.

Although the market did not suffer greatly from last year's October crash, falling by only 13 per cent, it was sluggish throughout the first quarter of this year.

Last March, it received an enormous fillip when, owing to the favourable outcome of a court case, the shares of Montana, the Austrian group specialising in financial services, mining and biochemical products, rose a spectacular Sch11,000 to more than Sch19,000. At that time, trading in the stock often reached Sch11m worth of shares a day or about 50 per cent of turnover.

Montana's shares, which now stand at about Sch19,600, did not push up other shares, however, with the stock's good performance generally remaining an isolated case.

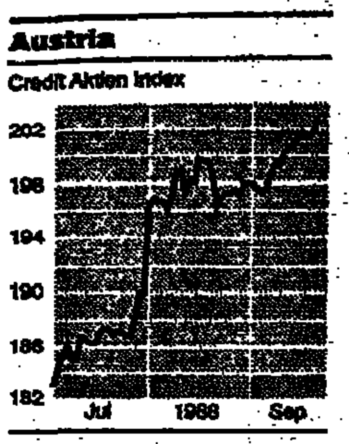
A combination of circumstances over the past two months seems to indicate that the market as a whole is now beginning to shape up.

For one thing, foreign investors who "discovered" the Vienna bourse back in the summer of 1986 - lifting the index to around 240 — are returning. However, unlike with previous spurts of foreign, short-term buying, Austrian bankers say that this time round investors "are looking at the long-term."

This trend is underlined by the recent launch in New York of a package of medium-term investment shares by Laenderbank, Austria's third largest bank. The shares include the recently privatised Austrian Airways and OeMV, the oil and chemical group, and the successful Constantia group. Since the May 26 launch, the shares have gained 14 per cent in schilling terms and 4 per cent in dollar terms.

It is not only foreign buying that has taken the share index higher. Bankers believe that the Austrians themselves, who in the past shied away from the capital markets, are now beginning to transfer some of their Sch1,000bn ($76bn) savings into shares.

Austria



The change in attitudes has obviously been helped by the socialist-led coalition Government's 1987 privatisation law — which allows the Republic to sell 49 per cent of its holdings — and the recent tax reform, which will lead to taxes on some savings accounts.

That, together with the new smart advertising campaign for the sale of the Verbund, the Austrian electricity group, is attracting both the small Austrian investor and institutions to equities.

Bankers say that the current trend in the bourse bodes well for November, when the public will have a chance to buy Verbund's 15m shares at the nominal prices of Sch100.

Next month, moreover, nominal share capital worth Sch170m - a 20 per cent stake - of the Vorarlberg Kraftswerk, another utility company, will also be offered to the public. The two new listings suggest a busy time ahead for the bourse.

SOUTH AFRICA

A FURTHER fall in the bullion price sent Johannesburg gold issues lower in thin, confused trading yesterday. A fluctuating financial rand added to the uncertainty.

The gold price dropped to almost $392 before closing at about $398. Beatrix lost 50 cents to R10.75, while Randfontein moved against the trend, gaining R2 to R232, after falling to R228 earlier.

In mining financials, Consolidated Gold Fields rose R1 to R94. On Wednesday, the company rejected the £2.9bn bid made in the UK from Minorco, which lost R1.50 to R51.

Gold Fields of South Africa, an associate of Consolidated Gold Fields, lost R2.50 to R54.50. Minorco has said it plans to divest its stake in GFSA to Rembrandt if its bid is successful. Rembrandt was unchanged at R17.10.

Driefontein, a gold mine managed by GFSA, was also unchanged at R33.25.

Anglo American, which has been mentioned as a possible buyer of GFSA in the past, gained 75 cents to R54.25.

ASIA PACIFIC

Trust fund selling knocks Nikkei

Tokyo

A WAVE of selling by trust funds helped take equities sharply lower in Tokyo yesterday after Wednesday's brief rally, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average lost a hefty 284.35 points to 27,428.31 after moving between a high of 27,804.51 and a low of 27,375.52. Volume rose slightly to 868.6m from 856.6m.

In London, Japanese shares were little changed, as the ISE/Nikkei 50 index inched up 0.04 to 1,771.88.

Analysts in Tokyo said there had appeared to be a considerable amount of selling by trust funds, which have not been nearly as active recently as in the past.

The Emperor, in addition, is still reported to be in a stable but critical condition. With the possibility that the market could be closed for a few days, "people were just trying to unload a bit," said Mr Piers Higson Smith, assistant manager of equities trading at S.G. Warburg Securities.

The Emperor's illness is also affecting the timetable for parliamentary deliberations and giving rise to greater uncertainty over various issues on the agenda, such as greater scope for a proposed capital gains tax.

In morning trading, large capital steel issues continued on Wednesday's firm note, with Kawasaki rising to a new high of Y550. At the close however, the sector was mixed, with Nippon Steel – the volume leader at 145.8m shares – down Y9 at Y780.

Kawasaki, the second most heavily traded issue with 117.6m shares, closed up Y8 at Y547 and NKK, with third heaviest volume at 87.6m, was up Y2 at Y772.

Paper companies, which saw strong demand after reports that the Emperor was ill, remained firm. Honshu added Y63 to Y1,000 and Jujo Paper advanced Y10 to Y1,020. Oji Paper, however, lost Y10 to Y1,470 following a round of profit-taking.

Some issues were able to maintain their strength in a generally weak market. Kubota, a leading agricultural machinery maker, rose to an all-time high of Y810 in morning trading. It attracted interest because of redevelopment possibilities of land that it owns in Osaka and expectations that orders for its cast iron pipes will rise from Iran and Iraq where the goods are used for oil transport. Kubota, however, failed to sustain its momentum and closed up a modest Y9 at Y795.

Tokyo Gas also rose in early morning trading to match its record high of Y1,330. The company had been popular for its land holdings along Tokyo's waterfront. In addition, it was announced on Wednesday that the margin buying balance of the utility stock declined 41 per cent to 54.3m shares from the April 2 peak of 92.5m. It closed Y10 higher at Y1,310.

In Osaka, trading was dominated by big capital stocks, which mostly declined. The OSE average fell 104.54 to 26,082.69 and volume declined to 137.1m from 106.7m.

Bond prices in Tokyo weakened yesterday afternoon following an earlier rise. The yield on the benchmark 105th issue closed at 5.085 per cent, up 0.010 of a percentage point from Wednesday. Market participants bought the issue following the Bank of Japan's certificate of deposit buying operation in the morning. The sharp rise in the price made investors nervous later in the day and profit-taking selling was triggered by a report that the head of the Bank of Japan was in favour of higher interest rates.

Roundup

BARGAIN-HUNTERS appeared in Asia Pacific markets, helping to boost Hong Kong and to reduce the day's losses in Singapore and Australia.

HONG KONG closed sharply higher in improved volumes, with the Hang Seng index up 23.84 at 2,455.84.

Turnover totalled HK$432.9m worth of shares, still relatively thin but much better than Wednesday's HK$295.2m.

Yaohan topped the active list on its first day of trading, closing at HK$1.25 against the HK$1 offer price.

SINGAPORE saw bargain-hunting and profit-taking in a lacklustre session, at the end of which share prices were little changed. The Straits Times industrial index lost 0.67 points to 1,045.86.

AUSTRALIA lost ground again, but ended off the session's lows on late bargain-hunting for gold issues. The All Ordinaries index eased 1.9 to 1,541.7.

Electronics and communications group AWA, which reported healthy annual profits after losses last year, fell 3 cents to A$3.25.

TAIWAN rose to a record high, with the weighted index adding 208.01 to 8,418.87.

EUROPE

Shock trade figures unsettle Paris

DOMESTIC factors were largely responsible for movements in the main European markets yesterday, although the lower opening on Wall Street caused concern all round, *writes Our Markets Staff.*

PARIS was knocked in the final half hour of trading by news of a worse-than-expected trade deficit last month and share prices ended lower after moving upwards for most of the day.

"The market was going along quite swimmingly until this shock news came out," said one salesman, who called the figures "ghastly." The seasonally adjusted deficit reached FFr9bn compared with FFr3.4bn in July.

The opening CAC General index was up 5 at a high for the year of 371.6 but the day closed with the OMF 50 index off 3.89, or 1 per cent, at 373.26. Volumes were estimated to be higher than Wednesday's FFr2.2bn worth of shares, with good demand from London. Such stocks as Perrier, Bouygues and Moulinex were active again.

LVMH, which held a dignified shareholders' meeting that gave no clues on a possible break-up of the luxury goods group, ended FFr70 lower at FFr3,015.

Supermarket group Carrefour was strong after a buy recommendation, climbing FFr170 at one stage, but it finished the session up only FFr65 at FFr2,645.

London

SELECTIVE demand from the US for blue chips such as Glaxo, Reuters and Beecham helped partly to counter two London sell programmes and profit-taking. The FT-SE 100 index ended off 8.1 at 1,788.7.

Elf Aquitaine, which reported a healthy profits rise after the close on Wednesday, finished FFr6 higher at FFr341. It is one of the shares underlying the options market and trading closed before the deficit news.

FRANKFURT eased back in what traders called "a healthy correction" after recent strong gains, with turnover falling from Wednesday's DM4.47bn worth of shares to DM2.9bn.

The fall, which took the DAX real time index down 7.31 to 1,253.68, was seen as a temporary interruption to the market's rally. There were always buyers around at the lower levels and foreign demand remained strong, said one salesman. Economic news due next week was expected to be favourable and would feed through into equities.

Wall Street's weak opening yesterday also held share prices in check. The midday FAZ index was up 2.54 at 515.58.

Banks, which led Wednesday's rally, gave up most of the previous day's gains. Deutsche Bank lost DM6 to DM515, Dresdner fell DM4.50 to DM287.50 and Commerzbank dropped DM2.20 to DM246.30.

Cars went in different directions, with BMW easing 60 pfg to DM6.50 and Daimler off DM6.50 at DM708.50. VW, which said it would be listed on the Paris bourse from next Wednesday, firmed DM1.20 to DM264.50 and Porsche added DM6 to DM570.

Bonds saw active trading and gained ground, with the yield on the 6¾ per cent August 1998 bond at 6.57 per cent after 6.59 on Wednesday.

MILAN saw good demand for insurer Generali, which released good interim results yesterday, and for Fiat, which reports next week. Volumes were similar to Wednesday's L103bn worth of shares and the Comit index ended unchanged at 524.87.

Generali rose L50 to L39,150 and Fiat gained L190 to L9,430, edging back after hours.

STOCKHOLM advanced to a year's peak, as shares rose for the fourth day in a row, carried on the wave of confidence that followed last Sunday's general election.

The J&P index gained 39.30 to a 1988 high of 3,124.50. Foreign investors returned to the market and turnover reached SKr481m – its highest level since before the global markets crash last October and about SKr100m up on Wednesday.

AMSTERDAM closed at its lowest level of the day, after modest gains were erased by a weak opening on Wall Street.

BRUSSELS saw its strong run of recent days interrupted when speculators in Tractebel, the energy and telecommunications group, suddenly headed for cover, *writes Tim Dickson in Brussels.*

The 20 per cent plunge in the company's share price to BFr7,670, along with an accompanying but less dramatic fall in Petrofina – in which Tractebel has a 10 per cent stake – from BFr14,800 to BFr14,500, was largely responsible for dragging Brussels' forward market index 2.5 per cent down from Wednesday's record level to 5,488.

The widespread selling by smaller investors was encouraged by a statement from Tractebel's two leading shareholders, which appeared to play down rumours of a rift. A total of 114,725 shares changed hands, against 237,800 on Wednesday.

Elsewhere chemicals and electricals generally advanced, while Fabrique Nationale, the Liege-based armaments manufacturer, was a bright spot with an 8 per cent rise – up BFr82 at BFr1,130 on expectations of encouraging results in the latter part of the year.

ZURICH benefited from the switch out of gold into equities and ended higher in increased volumes.

MADRID was beset by interest rate worries and shares moved lower. The general index lost 1.43 to 275.21.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 21 1988					TUESDAY SEPTEMBER 20 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (85)	137.80	-0.9	121.93	117.59	4.04	139.07	122.29	117.61	152.31	91.16	176.84
Austria (16)	87.34	-0.3	77.28	85.05	2.46	87.59	77.02	84.95	98.18	83.72	100.95
Belgium (63)	120.73	+0.6	106.83	118.50	4.26	120.01	105.53	117.19	139.89	99.14	127.83
Canada (125)	118.27	+0.1	104.65	104.35	3.26	118.17	103.91	104.43	128.91	107.06	135.57
Denmark (39)	128.03	+0.7	113.29	125.11	2.38	127.11	111.78	123.83	132.72	111.42	118.02
Finland (26)	115.88	-0.3	102.54	107.62	1.63	116.21	102.18	107.62	139.53	106.78	
France (128)	96.39	+1.3	85.29	96.32	3.37	95.20	83.71	94.64	99.62	72.77	114.16
West Germany (100)	79.60	+0.6	70.44	77.57	2.39	79.14	69.59	76.70	80.79	67.78	101.60
Hong Kong (46)	99.24	+0.5	87.82	99.52	4.91	98.72	86.81	99.00	111.86	84.90	149.69
Ireland (18)	128.64	+0.5	113.83	125.57	3.91	127.98	112.54	125.27	144.25	104.60	145.16
Italy (100)	70.88	-0.3	62.72	73.87	2.73	71.06	62.49	73.72	81.74	62.99	90.47
Japan (456)	158.24	-0.3	140.02	134.23	0.55	158.75	139.59	134.26	177.27	133.61	141.07
Malaysia (36)	137.30	+1.1	121.49	141.00	2.83	135.75	119.37	139.35	154.17	107.83	171.16
Mexico (13)	152.34	+0.5	134.80	380.85	1.43	151.55	133.26	378.86	180.07	90.07	375.54
Netherland (38)	102.45	+0.0	90.66	98.88	4.92	102.49	90.12	98.42	110.66	95.23	124.69
New Zealand (26)	69.33	+1.1	61.35	60.26	6.26	69.17	60.83	59.96	84.05	64.42	134.50
Norway (25)	112.76	+1.1	99.78	105.57	2.83	111.49	98.04	104.19	132.23	98.55	183.93
Singapore (26)	119.49	+0.3	105.73	112.25	2.44	119.18	104.80	111.99	135.89	97.99	160.43
South Africa (60)	100.72	+0.5	89.12	98.07	4.87	100.25	88.16	88.54	139.07	98.26	184.20
Spain (43)	136.56	-0.5	120.84	129.11	3.50	137.23	120.67	129.38	164.47	130.73	161.06
Sweden (35)	119.06	+0.8	105.35	113.37	2.52	118.10	103.85	112.16	125.50	96.92	131.16
Switzerland (55)	76.15	+0.1	67.39	74.74	2.27	76.09	66.91	74.25	86.75	74.13	108.57
United Kingdom (322)	125.21	+0.6	110.79	110.79	4.67	124.44	109.42	109.42	141.18	120.66	158.23
USA (580)	110.50	+0.2	97.78	110.50	3.61	110.29	96.98	110.29	112.47	99.19	131.05
Europe (1008)	103.40	+0.5	91.49	96.91	3.81	102.88	90.47	95.89	110.82	97.01	128.82
Pacific Basin (669)	155.07	-0.3	137.21	132.14	0.76	155.57	136.80	132.15	172.26	130.81	142.68
Euro-Pacific (1677)	134.42	-0.1	118.94	118.04	1.71	134.51	118.28	117.66	147.53	120.36	137.19
North America (705)	110.90	+0.2	98.13	110.14	3.59	110.69	97.34	109.95	113.29	99.78	131.23
Europe Ex. UK (686)	89.72	+0.4	79.40	88.42	3.10	89.36	78.58	87.63	92.99	80.22	110.56
Pacific Ex. Japan (213)	116.89	-0.3	103.44	105.97	4.31	117.26	103.12	105.74	128.27	87.51	162.50
World Ex. US (1875)	133.54	-0.1	118.16	117.39	1.78	133.62	117.50	117.04	146.49	120.26	137.79
World Ex. UK (2133)	124.50	+0.0	110.16	115.42	2.17	124.54	109.51	115.22	131.77	111.77	132.88
World Ex. So. Af. (2395)	124.69	+0.0	110.34	115.16	2.38	124.66	109.62	114.85	132.39	113.26	134.82
World Ex. Japan (1999)	108.43	+0.3	95.94	105.30	3.71	108.13	95.08	104.80	112.43	100.00	132.33
The World Index (2455)	124.95	+0.0	110.21	114.97	2.39	124.51	109.49	114.67	132.38	113.37	135.13

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

What will happen to property in the Square Mile when more becomes available in the central London area and its immediate environs? The outlook, says **Paul Cheeseright**, Property Correspondent, should become clearer in the next six months

Sunshine is not forever

Mike Midgley

Planners, anxious to push building projects beyond conservation areas to the periphery of the City are looking at London Wall

City of London Property

CONTENTS

UNCERTAINTY IS the keynote now. The City of London property market until last autumn had talked itself into a growth-is-forever state of mind. The demand for space had seemed endless, the prices people would pay to purchase or lease it had seemed without limit. Now it seems less simple.

Few believe that the market is heading for a crash, but many believe it may quietly sink a little, or, to put it another way, learn to live with a situation where tenants and buyers have more choice.

There are problems of definition, of course. The City of London is no longer a discrete entity held in by Holborn, Hackney, Tower Hamlets and the Thames. The finite space has forced financial houses out to compete for space in other areas. Indeed, some observers have suggested that the pace of rental rises in the West End has made the City look cheap.

So the financial community has been spreading out and there are moves to widen it further. The Canary Wharf development at London Docklands is directed at the establishment of a third London office centre, along with the City and the West End, but even without Canary Wharf, the office stock in Docklands is increasing.

But the stock will increase elsewhere too. Not so much in the West End as such – there are space restrictions – but in Holborn, King's Cross and Paddington. The point is that the City will become less of a market unto itself. It will be one part of a much wider market because the supply cycle is extending.

It could be argued that the current national commercial property boom began in the City. Changing demand for accommodation, allied to the expansion of the financial sector consequent upon deregulation and the growth of London as an international financial centre, caught the City unprepared in 1985 and early 1986.

The response, encouraged by the City planners, was an explosion of development activity, which is now beginning to work its way through the supply pipeline and which will have its full impact on the market not this year but in 1989-91.

At that stage it would normally be the case that developers would slacken their activities, waiting for the market to absorb the new space, waiting for new rental trends to be established. Traditionally the market has moved in cycles.

Indeed, there has been some evidence that developers have been preparing for just this eventuality, concentrating their purchases of land and buildings on properties which have an existing rental stream. Their buying activities have in any case dropped since last year.

What is different about the current cycle is the amount of building going on elsewhere. The supply cycle therefore becomes strung out. Canary Wharf space, available now for pre-letting, will be physically available from around the time that the City itself will be feeling the effects of the current building boom.

That much is fairly certain. The uncertainty surfaces in any consideration of what happens to property in the Square Mile once there is a much greater availability elsewhere in the central London area and its immediate environs.

The outlook should become clearer after about six months, when it has become apparent how developers will deal with the planning consents they already have in their pockets. The amount of construction going on now is a fraction of what could take place if all the consents were acted upon.

There will always be a market for high quality buildings which meet the need of financial and professional tenants in the City. Despite the current building boom, the general standard of accommodation available is not high. But there will be less of a market for the hastily constructed buildings of lower quality in fringe locations. It seems likely that many projects falling into that category will never come out of the ground.

If they did, then there could be a space glut of Dallas or Houston proportions, enabling potential tenants to drive down rents and extract cost concessions from the property owners.

The City of London Corporation's planning committee in any case has signalled that the boom is over. In the aftermath of the equity market crash last October, the committee noted that the boom had never been expected to last forever and it made clear that future planning applications would be treated with more stringency than they had been over the preceding 18 months.

This has meant that planning applications are being treated strictly according to the published policy guidelines so that developers can no longer expect flexible treatment of, for example, plot ratios – the proportion of space relative to the land area on which it is built. The ratio has been set at five-to-one.

The City planners have no desire to see the Square Mile littered with empty buildings. The difficulty, though, is trying to estimate demand. The equity market crash brought home the forgotten point that the financial markets, like the property markets, move in phases and that expansion could not continue for ever. Since then, securities turnover has been lower, making glaringly obvious the simple notion that financial houses will not endlessly mop up space.

The argument that any slackening in the demand from financial houses will be happily absorbed by professionals like solicitors and accountants fails to take into account the fact that many of the professionals live off the financial houses. Retrenchment in one leads to a slowing down in demand for the services of the other.

That said, for as long as London is an international financial centre, there will be a base level of demand. The trouble is nobody knows where to draw it. The evidence of the last few months suggests some slowing down of the market once immediate space needs have been met. These are of course extensive and the rate of take-up, monthly blips notwithstanding, has remained high.

A slowing down would mean that City rents, after the heady rise of the last year, have reached or about to reach a plateau. It would mean that there are unlikely to be too many property purchases on the extravagant scale of the Ohbayashi acquisition of Bracken House, the Financial Times headquarters, when the price reached £3,575 a square foot, some £1,500 more than a British company might have paid.

The prospect of a slowdown already seems to have entered the calculations of the banks. This does not mean that they have stopped lending for City property developments. Far from it. But it does mean that they are assessing with even greater care some of the more marginal proposals.

Bank lending to property companies generally has exploded and there has been a strong representation of foreign banks in the chase for clients. This chase, at least before the stock market fall, meant in some cases a readiness to accept rental projections for new buildings based on expectations of a rising market.

But now, banks are apparently insisting that revenue projections for a building are done on the basis of existing rental levels. Caution has replaced hope.

This factor is itself a deterrent to some new building and does not take into account the effect of the higher level of interest rates. Upward changes in interest rates will not necessarily have affected developments already taking place. Many of the property investment companies have secured long-term finance at fixed rates. Many of the short-term loans will have interest rate hedges built into them.

But if interest rates remain at their present levels, then the costs of new financing for new developments will have increased, thus forcing a reassessment of the prospects for a new building, especially when those prospects are pitched against the background of the likely new supply.

There are, in short, a number of questions hanging over the City property market in the medium term which the players in the market are now seeking to address. If the questions merely concerned demand and financing that would be one thing. But they go further.

It is not clear what will be the impact next year of the imposition of value added tax on property transactions. It is not clear how tenants will seek to handle their accommodation costs in the light of the imposition of the uniform business rate from 1990 when the supply-demand balance could be swinging in their favour.

It is all very sobering after the heady days of last summer when the sun looked as if it would shine forever.

New schemes are expanding the office stock. Yet developers may not be as daft as they seem

Signs of timidity from the bulls

AT FIRST sight, the City of London appears to be facing a tidal wave of new development which will dwarf anything that has gone before and could create huge areas of unlet space. Estimates vary of offices either under construction or on the drawing board, but they all nudge close to 30m sq ft.

When this figure is set against the total stock of about 65m sq ft, it is understandable that financial backers are concerned, particularly when big schemes such as Canary Wharf and King's Cross are also set to come into play within the next five years.

Even at second sight, the prospect for a glut seems overwhelming. So why are there still question-marks over every attempted analysis of the City's future?

One reason is the sheer impossibility of working out exactly how much space will be required in the next decade (see article on demand, opposite). The other revolves round the interpretation of these massive figures.

Put simply, the optimists believe that developers are not as daft as they are painted. They can see supply figures swelling better than any outsider and will keep many schemes firmly glued to the drawing board if they cannot winkle out a pre-let.

So the long-term statistics are fairly meaningless. Already there are some proposed developments which have slipped back into the 1990s: Stanhope seems to have put its 250,000 sq ft London Wall development on the back burner and Greycoat has short-let space in Moor House, a similar-sized project on the same street.

One reason why the property team at Morgan Grenfell takes a relaxed view about impending over-supply is that developers like these can bide their time. They have the cushion of income flowing from short lets on buildings such as those on London Wall or low site-carrying costs, as at Broadgate and Wates' 400,000 sq ft proposal for City Plaza.

Another reason for Morgan Grenfell's confidence lies in their close analysis of the supply figures. They point out that half the 19m sq ft they have identified in the pipeline is not extra space at all: the buildings will replace existing offices.

Tenants are desperate for more modern offices to accommodate the new technology which dominates business life, so the City is swirling with movement. Healey & Baker recently found that most of the occupiers it questioned intended moving within five years.

Developers still ploughing ahead with schemes seem to lean on this longer-term confidence in demand. "Take-up may have been enormous in the years since 1980, but very little additional space has been created in that time," says Mr Peter Hunt, chairman of Land Securities.

He is quite relaxed about his 650,000 sq ft City development programme and has just started work on another giant at Milton Court in Chiswell Street. It helps, of course, when half that scheme is pre-let, but then so is more than 80 per cent of the total space currently under way in the City.

FUTURE SUPPLY OF OFFICE SPACE
Figures in thousands of square feet

	Available	Approved	Application	Total
Sub 25,000 sq ft	1,031	854	471	2,356
25-50,000 sq ft	928	1,494	730	3,152
50-100,000 sq ft	1,343	2,142	919	4,404
100-200,000 sq ft	985	2,293	1,098	4,376
200,000+ sq ft	1,626	7,484	3,876	12,986
Totals	5,913	14,257	7,094	27,274

Source: Jones Lang Wootton

The main concern of doubting Thomases centres not on some massive surplus stretching into the 1990s but a relative imbalance which will bring rental growth screeching to a halt over the next two or three years. Morgan sees enough inbuilt demand to postpone any weakening until 1991, with rents drifting up until then to between £45 and £55 a sq ft on large developments and £65 to £75 on smaller core space.

Mr Geoffrey Pentecost of Jones Lang Wootton believes the crossover will come earlier – perhaps next year. Even then there will be some hotspots such as the City core and its western fringes where supply will be limited. Like Mr Hunt, he believes that tenants will revert to demanding specific locations like this and keep rents moving.

"You can't talk of a simple supply-demand balance because this will vary by areas according to preferences with, say, professional firms flocking to the western City fringes," he says.

Among this herd of bulls wander a few bears. Mr Geoff Marsh of Applied Property Research, much in demand from agents and developers for its computerised analysis of market trends, has been urging caution since long before last October's crash blew the froth off the City.

"There is an idea going around that we will follow the pattern of New York as a world financial centre," he says. "New York has 300m sq ft of offices, London has only 150m sq ft – therefore we have the capacity to expand. What is not mentioned is that London rents are twice those across the Atlantic.

"The property market is not immune to the price mechanism. Agents are privately producing reports that predict downward trends in rents."

APR has been forecasting falling rents since August last year – long before Black Monday. That in itself leaves APR open to charges of Beckmanitis (a syndrome attributed to Mr Bob Beckman, the pundit who has been predicting a property crash ever since the 1970s).

But Mr Marsh sees little reason to change his view that the market is due for a bucket of cold water as demand and supply race past each other in opposite directions.

Even the bulls show some signs of timidity. Vacancy rates which have fallen as low as 1.5 per cent are likely to rise in the next year or two to around 6 per cent and pre-lets are declining as the Big Bang effect fades. That is still well below other world centres such as New York, says Jones Lang Wootton, but it concedes in an overview of the City market published this month that future supply could "give cause for concern."

It also points to a "spectre of uncertainty", reinforced by the prospects of new VAT charges and business rate increases.

Even the pre-letting cushion may be deflated. Savills says that up to 20 per cent of space taken for future occupation could come back on the market as tenants sub-let offices they do not need. Meanwhile, the space released as tenants claim their pre-lets will flood on to the market.

For the moment, that is a godsend for tenants desperate for space and location has been sacrificed to availability. JLW says take-up soared 80 per cent to 870,000 sq ft in the first six months of this year.

Eventually this will turn into the separate tier, with poorly located or serviced space dragging average rents down much more quickly than prime offices, however.

Developers such as Mr Hunt see that more as an opportunity than a disadvantage. Only about a third of the City's stock has been dragged into the age of technology and the more outdated space that becomes available, the more chance there is to satisfy ill-accommodated tenants.

There are few question-marks in the minds of certain single-minded developers – only solutions. Land Securities insists it is careful to build only in the best locations for a planned market. But the danger pointed out by Morgan Grenfell is that others may plough ahead irrespective of demand, because they are so securely financed they risk very little.

For every reassurance about fears of over-supply there seems to be a danger lurking in the background. How these balance out at a time of such uncertainty becomes a matter of opinion.

In the end one more attempted analysis of the future of City property can only conclude with a question-mark.

David Lawson

Arundel House recently won the City Heritage Award for restoring 41 and 42 Trinity Square, near the Tower of London

CITY OF LONDON PROPERTY 3

Working out potential demand is like fishing for salmon, says **David Lawson**

Although the bait is tasty, some may wriggle free

CALCULATING the amount of new office space planned for the City of London over the next few years is relatively easy. Setting this against take-up rates to find a point when rent rises should fade away is a doddle. So why is there so much disagreement in the industry about when this threshold will be reached?

Some pundits believe the soaring rise in values will fade in the coming year; others look further into the early 1990s before the City loses its head of steam. And a hard core of optimists still refuses to believe that the days of milk and honey are numbered.

There are two main reasons for this diversity. Firstly, working out potential demand is like fishing for salmon. Every agent and developer has a mental list of prizes swimming deep in the rich waters of the expanding service economy. But no-one can be sure which will rise to the surface, or when.

Businesses rarely plan more than two years ahead in a stable market. That horizon is even more limited in the shadow of post-crash uncertainty and nervousness about the world economy. Those which might want some space in the near future make tentative moves towards agents' hooks, and are totalled up as "future demand." The wise developer then throws in an adjusting factor to discount the ones that change their minds and wriggle free.

Secondly, hooking a big one is a rare skill, requiring the right bait. A thread of consensus about the post-crash market is that some potential tenants have refused to play as they do not like what is being dangled in front of them.

For instance, solicitor A and accountant B may both want a 350,000 sq ft modern building somewhere between Fleet Street and the Bank. But even in the latest flood of development, there is no such place available until 1991. They stay put until one comes on the market and then both make a strike for the same bait, bidding against each other and ramping up the rent level.

When the laws of economics fly out of the window and a rise in supply increases prices, it becomes almost impossible to state with confidence when the two sides of the demand-supply equation will balance.

Intuition and psychology become almost as important as computer projections. Developers who guess right can make a fortune; those who do not may face disaster, as the 1970s collapse proved.

For the moment, current demand is keeping agents reasonably happy. The crash trimmed some sails but take-up slipped only 5 per cent to around 2.6m sq ft in the first half of this year, according to Jones Lang Wootton. That leaves unsatisfied hard requirements for 3.6m sq ft and a potential soft need for a further 4.2m sq ft. Combining the 1.25m sq ft immediately available with speculative space under construction produces a vacancy level of between 5 and 6 per cent – much less than most other world financial centres, says JLW.

Demand from banks has fallen back but slower-moving financial institutions still have to make up their mind about the final cost of the collapse. Some may not be so keen on growth if trading volumes remain permanently low but the horrors widely predicted last October have not materialised. Predictions of up to 200,000 redundancies proved wildly wrong.

Only 5,000 jobs have disappeared out of a total of 90,000 in the financial sector, according to the property team at Morgan Grenfell Securities, which takes a bullish view of the short-term prospects for City property.

Even if this figure is doubled to what some believe is a more accurate calculation of sackings, that pans out to around 1.5m sq ft of office space – not much more than 2 per cent of the total stock in the Square Mile.

Job losses will affect demand only if there is another market crash, according to Morgan Grenfell (although some might not rule that out either). Meanwhile, St Quintin has done an old-fashioned totting-up job on demand for space ready in 1990, calculating that more than 6m sq ft is required in slugs of at least 25,000 sq ft, plus another 1m sq ft for smaller premises.

The sole driving force in the City is no longer the big financial groups, however. Most have filled their needs for large buildings. Accountants, solicitors and management consultants now dominate the lists of potential tenants as they rise in a buoyant economy.

For instance, Clifford Chance has just taken Wimpey's 425,000 sq ft Little Britain office development next to Bart's Hospital, which has been waiting in the wings since the 1970s. Freshfields is believed to have reserved the massive Kumagai Gumi scheme at Whitefriars. Others like Binder Hamlyn and Deloittes are among the names in the market for buildings of up to 350,000 sq ft. At least a dozen others want between 50,000 and 100,000 sq ft.

This is not just a time lag from the financial boom. Mergers forming firms like Clifford Chance have created stronger financial resources to exploit London's growing stature in international business, say the Morgan analysts. Flagship headquarters are in great demand to match this exalted stature.

"It is no longer a stigma to be in a quality building," observes Mr Bill Peach of Baker Harris Saunders. "In fact, clients may demand this assurance where once they moaned that an accountancy firm's money should be spent on keeping down fees rather than buying better premises."

More business also means more staff. When Healey & Baker questioned 100 office tenants after the crash it still found an overall intention to expand staff, with average levels likely to rise this year by more than 12 per cent among professional groups and between 3 and 7 per cent in financial and banking businesses.

Staff rises are even more significant than in the past, as each worker now takes up a lot more room. Work stations take up more space per head than the old desks and there is amove to spacious dining and conference areas. All this is yet more "hidden" demand.

Many of these professionals have yet to rise to the surface because they are choosy about the bait. Few will pay more than £45 a sq ft so they are ruled out of the £65-plus buildings in the City core. And lawyers and accountants needing prestige buildings near their clients will eschew cheaper stock in the suburbs.

For instance, lawyers Cameron Markby expanded out of its home at London Wall into 90,000 sq ft of Sceptre Court near the Tower, paying around £31 a sq ft. Another lawyer, Barlow Lyde & Gilbert, after less than four years in the spanking new No 1 Finsbury Avenue, found its 30,000 sq ft too restricting and took 80,000 sq ft in Beaufort House.

Few doubts about the deep current of hidden demand cloud the mind of Mr Peter Hunt, chairman of Land Securities, Britain's biggest property developer. "A lot of City tenants want to move to newer premises," he says. "But they can't get the right type of space in the right location."

Healey & Baker reinforced this view when its research showed that more than two-thirds of the 100 City occupiers it questioned intended finding a new home within five years.

Not everyone is convinced that professional groups are a universal answer to the threat of over-supply, however. Mr Michael Cassidy, the City planning chairman, who has been in a much more subdued mood since the crash, is reported as saying this is a short-term and fickle source of demand. As a property lawyer, perhaps he has an insider's knowledge to add to his planning judgement.

Mr Cassidy is keeping his eyes on more traditional financial groups, although he sees a question-mark about where they will come from in the 1990s.

For the moment the financial groups have not completely retired from the market, however. BHS says that half the current demand comes from this sector. But now that they have satisfied their appetite for giant financial factories, they tend to fill the middle section of the market in 25,000 to 100,000 sq ft blocks.

And they are also paying the highest rents. Arab Bank probably claims the latest record with around £68 a sq ft for 35,000 sq ft at 13 Moorgate, although this is unlikely to be the high-water mark for long.

Surprise market entrants helping to bid up values are the building societies, desperate for flagship premises in the City core to give them a suitable presence as neo-banks.

The Halifax, for instance, paid a then-record £67.50 a sq ft recently for the prime position of Greycoat's 62 Cornhill and promptly asked Healey & Baker to let off the top six floors. Bradford & Bingley took second-hand space on a short lease in Moorgate for £55, plus the prospect of a fitting-out bill.

Other sectors may be less buoyant in future. The insurance market, for instance, is looking rather sick, which may tell when rent reviews come around in the areas around the east of the City where the brokers are concentrated.

Probably an area-by-area and sector-by-sector analysis is the best way of working out the impact of any drift in demand. As Mr Peter Hunt says, the buildings have to be in the right place. He believes people were too quick too dismiss location as the guiding force in property development when the core was burst at the seams by Big Bang and tenants flew far and wide to find space.

The core and western fringes of the City will remain high on the shopping lists of professional firms, says Mr Geoffrey Pentecost of Jones Lang Wootton. A lot of financial groups which ran off to the West End when space was scarce around the time of Big Bang would dearly like to get back into these areas, he asserts.

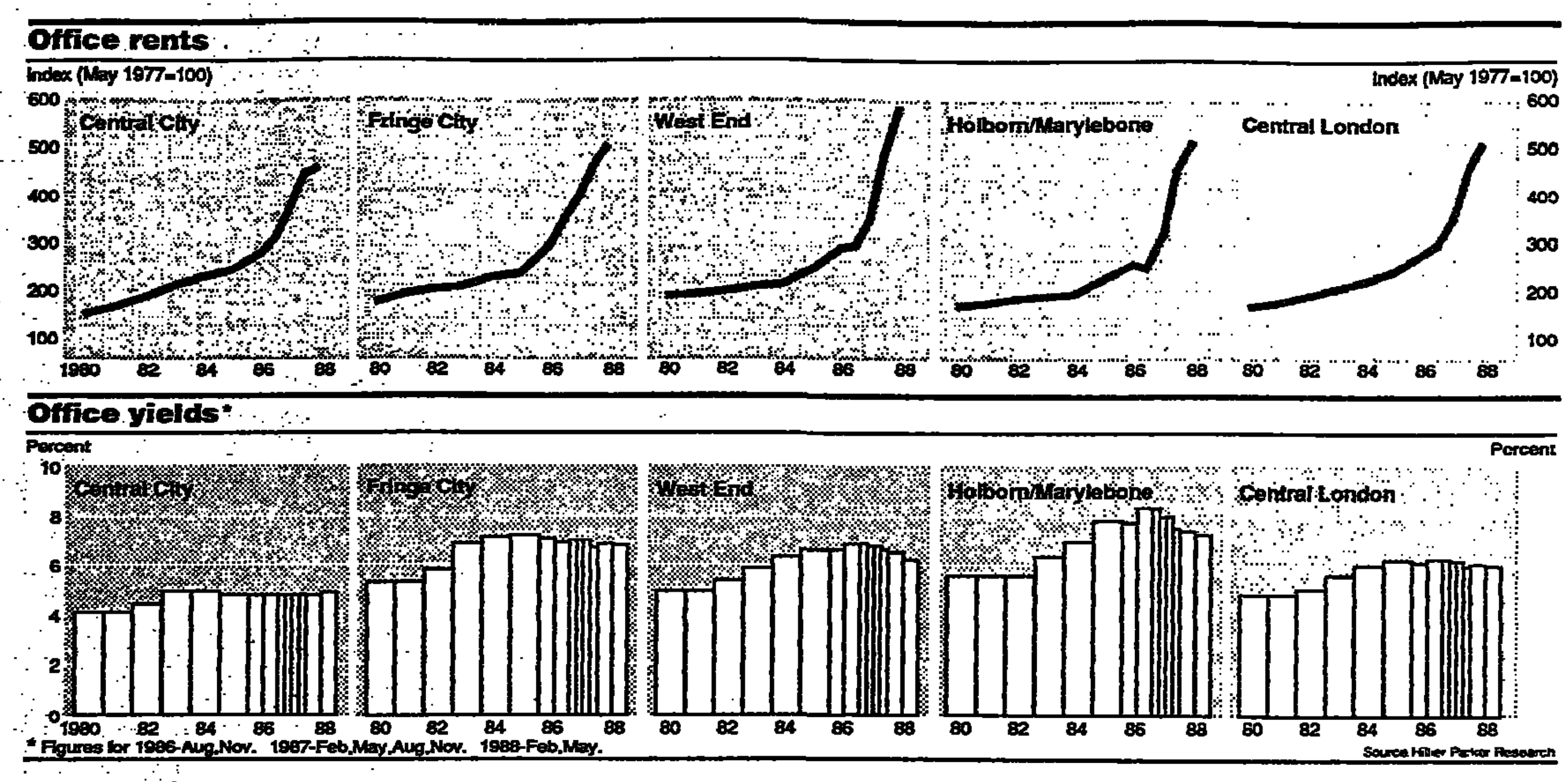
The testing time will come within the next year – or within three – depending on which opinion you take. Some, like Mr Pentecost, forecast a balance of supply and demand in 1989-90. A "spectre of uncertainty" still hangs over the market, says JLW. Against that, Morgan's experts believe that rents will push upwards until 1991, when the sheer weight of new space will tell. They see a two-tier market building up as poorer premises, both new and second-hand, stick to agents' hands while tenants grab tastier bait.

But maybe the biggest demands have yet to materialise. Land Securities is looking across the Channel for new customers after 1992 when unification with the rest of Europe will be complete.

"Before the Big Bang we were asked by one City councillor to prove that there would be an explosion in demand for space," says Mr John Moar, the deputy chairman. "We said we could not prove it. It was just a gut feeling.

"We were right in the end and we have the same gut feeling about the European connection."

It is getting a bit like old times when a property developer talks about sniffing out future demand by instinct rather than relying on a computer print-out. Only time will tell whether guts are more accurate than arithmetic.



CITY OF LONDON PROPERTY 4

Office development has mushroomed in peripheral zones – Docklands, Paddington Basin, Victoria, Holborn Viaduct

Square Mile gets bigger

FIGURES OF speech seem to survive long after the world that spawned them. Cockneys are "Bow Bells born"; privileged young ladies range through Sloane Square; their employers or daddies are inevitably "someone in the City."

Strictly speaking, the Cockney is a dying breed, as the Bow church referred to is in office-cloaked Cheapside rather than the East End. Not a lot of babies are born within the sound of those bells nowadays.

Sloane Rangers are less likely to be up West than sipping champers with other "financial executive assistants" at a lunch box round behind an almost derelict Stock Exchange. Meanwhile, many a daddy is looking wistfully from a brand new office block over the roofs of Sloaneland or East Ender territory.

Pinstripes have scattered far and wide over the last couple of years in wholesale moves to a new breed of financial factory. Someone in the City is almost as likely to be working as far from the Square Mile as today's Cockneys are from Bow.

But the label will probably stick: "Someone in Docklands" does not have quite the same dignified nonchalance. And consider the distress that could arise over other development areas set to attract expanding financial businesses: King's Cross, Paddington, Victoria, London Bridge, Charing Cross, Liverpool Street, Euston, Cannon Street and Holborn Viaduct. Poor little rich girls will have a terrible time convincing chums that daddy is not "Someone in British Rail".

Office development has mushroomed around these peripheral zones since the run-up to the Big Bang, when occupiers realised there would be no space within the traditional Square Mile for the big new buildings they would need.

More than 7m sq ft of new space will be created in 120 buildings around the City fringes between 1988 and 1991 according to an analysis by Savills produced this month.

The tide shows no sign of diminishing. Applied Property Research says that planners in Islington, Hackney, Tower Hamlets, Camden and Southwark gave the go-ahead for more than 6m sq ft in just over 100 blocks between July 1987 and August this year. Seven of those permissions account for around 3m sq ft of the total, including 885,000 sq ft in Spitalfields and a 1.2m sq ft mixed-use redevelopment of County Hall.

On top of this, Savills points out that the Isle of Dogs will have another 8m sq ft up and running in three years. Meanwhile, Rosehaugh Stanhope is set to repeat its Broadgate development on an even grander scale with a projected 6m sq ft of offices at King's Cross by the mid-1990s.

At one time the City might have ignored these upstarts. Prime tenants would never be expected to move to such outlandish places. Now, however, central London is evolving into a single market, with the West End merging into the Square Mile, and satellite areas starting to compete for occupiers.

Distinctions between what is and is not City are increasingly blurred. Much of Broadgate, for instance, now accepted as part of the financial homeland, is outside the City Corporation boundaries. So is the 1m sq ft of London Bridge City, an outpost of the docklands strung along the south bank of the Thames.

It is pointless to consider these as separate and in competition with the traditional City area. They are merely a different tier of the same market, offering the giant spaces almost impossible to find in the core and at rents perhaps 30 to 50 per cent less than the top central rates.

Some are more fringe than others, in both quality and location. It is these that seem likely to suffer from the new wave of development in even more distant areas.

Rents have generally boomed upwards, with £45 a sq ft the norm around Fleet Street and Broadgate, £30 creeping along the south bank and £18-plus in the Isle of Dogs. But some rent levels are already falling in the less prime fringes, says Mr Peter Spooner of Edward Erdman.

Each satellite fringe is being forced to compete with the others rather than threatening the City core, and will have to find its own niche.

Docklands is still the great uncertainty. It is generally accepted that things will happen as Olympia & York ploughs ahead to produce some 2.5m sq ft by next year with lots more to come. The disagreement hinges on who will go there.

One camp believes the Reichmann brothers will use their undoubted influence to pull in a couple of blue-chip businesses, create a "critical mass" around Canary Wharf and watch the area merge into the City proper. Savills says acceptance will come as occupiers are convinced that the transport and services are adequate.

Others tend to believe it will not poach from the City but act as a relief valve. "Docklands has a clear advantage in low rents plus tax concessions but is unlikely to attract mainstream businesses," says Mr Spooner.

"More likely, it will be used for support space which might previously have decentralised from London altogether."

Either way, the proposed King's Cross development seems a more likely rival for big tenants than the City. Both satellites will be looking to an influx of international companies as 1992 and European unification loom.

Docklands may get in first with available space, but King's Cross could boast a Channel Tunnel terminal to supplement its better access to the rest of London.

In fact, King's Cross could be a vital factor in finally knitting together the West End and City into a single market. This is already happening as redevelopment spreads through Holborn and Fleet Street into the Strand.

"When I first came to the City from the West End the people all seemed very different and strange," says Mr Peter Hunt, chairman of Land Securities, who has substantial holdings right across the central area. "There was your basic West End type and your City type. Now we are seeing a fusion in which people cross boundaries, and a greater synergy."

Different types of business will gravitate to different parts of this single market rather than leaching the old City.

The core will remain the main financial quarter, so the chairman of one merchant bank can nip along the road to chat up his colleague at another; accountants and solicitors less willing to pay high rents will make for Holborn, or King's Cross, or the Euston Centre, or Paddington Basin.

The West End will no longer provide an alternative for large space users after the present generation of developments such as Charing Cross are finished.

Planning restrictions that are already tough may become even tougher as Westminster clamps down on further office building, so King's Cross and Paddington will take overspill from both West End and City.

Docklands seems likely to be perhaps slightly ahead of other London suburbs in competition for the large-scale operations which make no economic sense in higher rent areas.

But don't take any bets against the Reichmanns suddenly producing one or two big names out of the hat.

David Lawson

MAJOR PERIPHERAL DEVELOPMENTS

Docklands: 2.3m sq ft completed next year in schemes such as Harbour Exchange. Canary Wharf's first 8.8m sq ft due on stream in 1991.

King's Cross: 6m sq ft of offices planned as part of mixed development. Due for mid-1990s.

Paddington Basin: planning permission for 230,000 sq ft of offices to be ready in mid-1990s but the amount of business space might double if Trafalgar House decides to push for it.

MAJOR FRINGE DEVELOPMENTS

London Bridge City: St Martins Property is still waiting for a public inquiry on the 1m sq ft second phase of this South Bank development, which resembles a pastiche of the Houses of Parliament. The developer has outline planning permission and Mr Brian Cann, the managing director, said the decision to call in the scheme on aesthetic grounds was "perverse". He blamed "time-served bureaucrats, opportunistic parliamentarians and left-wing pressure groups" for the adverse reactions.

Thomas More Street: Swedish developer Skanska has started work on 700,000 sq ft in the fringe between City and Docklands.

Ludgate Circus/ Holborn Viaduct/ Old Bailey: Rosehaugh Stanhope has permission for more than 2m sq ft to be ready by 1991 and Town & City has started work on close to 300,000 sq ft next door.

Broadgate: hardly fringe any more but still outside the City proper. More than 1m sq ft is still being built and another 500,000 sq ft is still to come.

Spitalfields: The consortium led by London & Metropolitan has permission for more than 800,000 sq ft but this must await a parliamentary bill to move the market and build a new one at Temple Mills. Space could be available by 1992.

Decline in spending by property development companies

The banks turn cautious

MORE AND more funds have poured into the City property market as the construction boom has gathered pace to meet a sustained demand for office space. The funds have moved in from a wide range of sources – owner occupiers, institutions buying for investment, banks lending to development companies.

The equity market crash last October sent a shiver through the market and activity slowed markedly in the last quarter of 1987 before picking up again in the first quarter of this year. The aftermath of the crash has been reflected in a more cautious attitude to bank lending and probably, although this is difficult to measure, in an increase of institutional trading of City office property.

If there is any certainty, it is that there is a more cautious attitude to and a more stringent appraisal of the lending and investment opportunities now than there was a year ago.

"In a market where there is uncertainty, you have investors around with different views," notes Mr John Coventry of Hillier Parker, chartered surveyors. "Some are worried. Some think there is a short-term problem. So there are both buyers and sellers."

This is especially the case with the British institutions whose role in City investment expenditure has been less than that of foreign interests, according to the Hillier Parker figures. Foreign capital expenditure has been around 40 per cent of the total in recent years, reflecting purchases by, for example, US banks.

Between 1985 and the end of the first half of 1988, capital expenditure came to over £4.7bn, a heavy investment by any standards and one of the reasons behind the national property boom, which started in the City and then began to spread outwards as economic recovery gathered pace.

But there is a difference between investment expenditure and spending for the purpose of development or redevelopment, which is where the property companies come into their own. Jones Lang Wootton, chartered surveyors, has calculated that last year property development companies spent £945m on the acquisition of land and buildings, but that in the first half of this year, spending dropped to £300m.

Such a decline reflects not only the uncertainties set off by the equity market crash, but also the perception that the market may be due for a pause. To put that another way, the supply and demand balance may gradually, in the light of the brisk construction programme which has been undertaken, be tilting in favour of tenants.

Just as such perceptions affect the way that the property development companies have been managing their City programmes, so it also affects the way in which the banks have been adapting their lending.

The City property boom has been marked by the development of bank lending techniques and the fact that the banks appear to have supplanted the institutions as the most single important source of project funds.

One of the characteristics of recent years has been the growth of off-balance sheet financing and non- or limited recourse lending. This has been an important facet of the financing techniques followed by property companies like the Rosehaugh Stanhope Developments joint venture, Greycoat and Speyhawk.

Broadly, the technique is to put the project in the control of an associate company. Finance for the project is secured on the project itself, so that the company initiating the funding is not itself liable.

If the project fails, then it reverts to the banking syndicate which has put up the funds. The initiating company is technically safe.

Such lending has continued despite the equity market crash. More finance along these lines has been raised, to name but three, for Rosehaugh Stanhope's Broadgate development, for Speyhawk's project at Cannon Street station and for the Spitalfields project of a consortium made up of London and Edinburgh Trust, Balfour Beatty and County and District Properties.

This raises a more general point about bank lending to property companies. It is that the equity market crash and the likelihood of a shift in the supply-demand balance has not diminished the appetite for lending, provided the projects are soundly based.

But there has been a change in bank attitudes since last October. There is not such a rosy picture as there was a year ago, notes Mr John Cameron, director at County NatWest, the National Westminster investment bank.

"That reinforces the need for proper lending criteria," he says.

Generally these lending criteria demand that the developer has an equity stake in any project of up to 20 per cent. The banks will often be prepared to lend up to 80 per cent of construction costs or 65 per cent of the completed value of a project.

Problems have come in assessing what is the completed value because that will depend on the level of rents the new building will command.

On the margin of banking activity before last October, there were cases where banks were prepared to accept project appraisals which predicted increases in rents above the then prevailing market levels. In other words, a strong element of hope entered a project, heightening the degree of risk.

This year it would appear that banks have narrowed their definition of acceptable risk and have become increasingly insistent that project appraisals are based on the existing levels of rents.

That said, the total Bank of England figures of lending to property companies have continued to grow sharply. Property development companies have relied more and more on the banks for short and medium-term finance in the hope that later they will be able to re-finance their projects, either through long-term commercial mortgages or through direct sales of the completed property.

The Bank of England figures are sketchy, however, because they cover the whole nation and they refer to money drawn rather than to commitments. Jones Lang Wootton, chartered surveyors, estimates that of the total of £16.6bn outstanding lending to property companies, probably 55 per cent relates to central London and of that perhaps up to 40 per cent relates to the City proper. It guesses that there is probably between £4bn and £5bn of short-term finance active in the City.

As early as last summer, the Bank of England was expressing concern about the build-up of bank lending and making it clear that the banks should ensure it was soundly based. Underlying this warning was the fear that some foreign banks might be dabbling in areas which they did not properly understand.

It is certainly true that the amount of foreign bank lending either on an individual basis to particular projects or through syndicates has risen sharply. The Japanese and European banks have taken a larger role in major City projects.

There has also been the fear that there might be a shortage of ultimate buyers for some of the City projects which have been coming out of the ground. This fear may have been misplaced. Research by County NatWest and Baker Harris Saunders, chartered surveyors, and published last year showed that of the proposed new supply in the City, only 13.5 per cent was coming from property companies which might be expected to trade on the finished product.

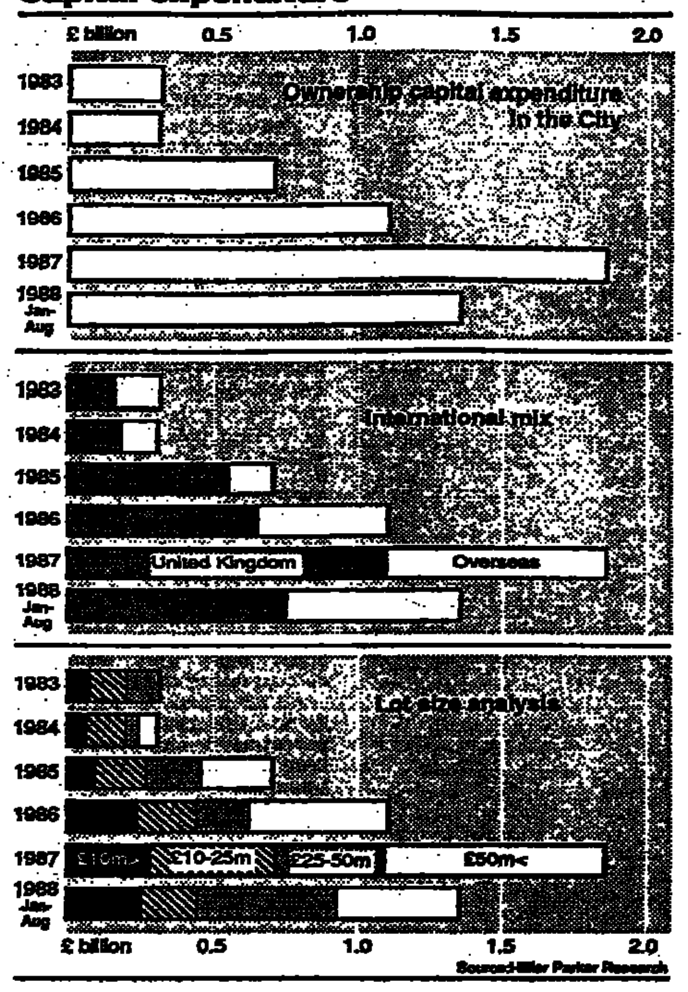
The greater part of British-sponsored development has been in the hands of property investment companies, which would intend to retain the completed property and which generally have been busy shifting their variable rate finance to fixed rate finance, and of the major property investing institutions.

At the same time there has been a growth of foreign interest in the sector, beyond that manifested by owner-occupiers. The Scandinavian presence has become marked and although Japanese money has come in largely through construction and development companies and through bank lending, the hope persists in the City that Japanese institutional funds will follow. A portent here perhaps is the establishment of a London office by Sumitomo Life Realty.

Further, there is the expectation that a unitised property market will offer, through the issue of property income certificates or securities in single asset property companies, a further outlet for the sale of completed properties.

Paul Cheeseright

Capital expenditure



CITY OF LONDON PROPERTY 6

The change in sentiment towards investment companies

Assets count as interest rates rise

THAT OLD maxim of "Sell in May and go away" has looked even more appropriate this year. Property stocks generally have remained more expensive to buy than those in other market sectors. But they have, none the less, been caught up in trading patterns established by low turnover, higher interest rates and, more specifically, concern that the best days of the City of London commercial property boom are over.

Most of the favoured property investment and development stocks have a City flavour about them. Land Securities, MEPC, Hammerson, British Land, Brixton Estate, Capital and Counties, and Great Portland Estates are among investment companies which have exposure to the City. So do Greycoat, Rosehaugh, Stanhope Properties and Wates City of London Property among the developers keen on the accumulation of assets, and Helical Bar, London and Edinburgh Trust, London and Metropolitan and Speyhawk among the so-called merchant developers. The City in short attracts a good cross-section of the property world.

Stock market perceptions of this world have been changing radically. Until the market crash of last October, the investment companies had tended to play second fiddle to the development companies even in spite of the fact that the biggest of them had substantially greater City interests.

The market had been on a high tide of excitement, pleased with every new development prospect, delighted by every new financial agreement that provided the underpinning for yet another City office building. Demand had seemed unrelenting. Expansion had seemed for ever. The development companies traded on extremely high multiples.

To be sure, the investment companies were not wholly left out. In the summer of 1987 they traded at a premium to their net asset value as their market prices broke out of their traditional discount.

October changed everything. Not only did the collapse of the equity market act as a sobering influence but it also jolted back into the memory predictions that the City office market, given the building boom, could be in rough supply and demand balance by 1990. Suddenly the rose-tinted view looked a little muddy.

One example of the change of mood. When, in the weeks following the crash, the City of London planners suggested that the City boom was coming to an end and that in future all planning applications would be looked at more stringently, all stocks with a City interest moved lower. Yet this was a contradictory move. The market grasped the end-of-the-boom thought but did not stop to consider that a more stringent planning regime would protect those already in the City and would, in fact, be bullish for them.

This year the market has settled and a good deal of the optimism has returned, fuelled by a string of rising net asset value figures which reflected the increase in rents that had been taking place in the City. Property stock prices have out-performed the rest of the market. But this return to optimism has been to the benefit of the market prices of the investment companies.

The single most important movement in the stock market's property sector this year, regardless of short-term price movements, has been the drive into stocks with a strong asset backing. By comparison, there has been a lower level of interest in companies developing to sell on.

In other words, the financial institutions whose investments are the dominant influence on the market have adopted a safety-first policy. In this particular context they have chosen the established property owners in the City — Land Securities, MEPC, British Land and so on. These companies, of course, have extensive development programmes in the City but they are less exposed to changes in the rental market than companies with a smaller asset base and buildings coming out of the ground.

An additional factor moving market sentiment towards the investment companies has been the manner in which they undertake their financing. They have been able to use the equity market for debenture issues and they tend to have much of their City development backed by fixed rate finance. To the extent that this finance was raised before interest rates started to rise in June, their projects are likely to prove less immediately costly than those of development companies with a tendency towards shorter-term financing at variable rates.

There was little doubt, as interest rates moved progressively higher through the summer, that the market was taking a very cautious view of the development companies and some had prices that were moving down towards their lowest levels of the year.

High interest rates have never been good for the property sector and much of the money which has been attracting these rates is being deployed in the City. But while the development companies look the most vulnerable financially, their level of gearing is generally not as high as it was just before the 1973-74 property crash.

In the early stages of the interest rate rises then, some analysts argued that the caution was overdone. Not only could the development companies absorb a rise of couple of points without too much discomfort, but demand for space was such that accommodation costs were not a factor in determining growth.

There may be more justification for the caution following the August rises because the heavier weight of the financial charges assumes more importance when related to the growth in construction costs, leading to a tightening of developers' margins.

This makes the task of predicting which way the stock market will move in further assessments of the development companies all the more hazardous. And the position, as the summer wore on, became trickier still because of the low level of trading. With investment interest at a low ebb, much of the price movement appeared to be coming from the market makers themselves.

In the future, however, additional investment opportunities in City of London property are likely to open up through the start of a unitised property market. There have been false dawns for this market, but it is now a fair bet that sometime in the autumn there will be issues of property income certificates and there is always the possibility of a single asset property company issue.

City buildings, especially where they are multi-tenanted, are likely to play a part in this market, especially if institutional interest in the direct investment market slackens. But it is worth recalling that the only single asset property company security which has been traded — Billingsgate City Securities preference shares — attracted scant interest and that S & W Berisford, which launched it in the first place, has been bidding to buy the whole issue back.

Sculptor Rudy Weller at the entrance hall of the £11.7m Crusader House built for Wimpey Property/Rosehaugh

A brew worth £4.25m

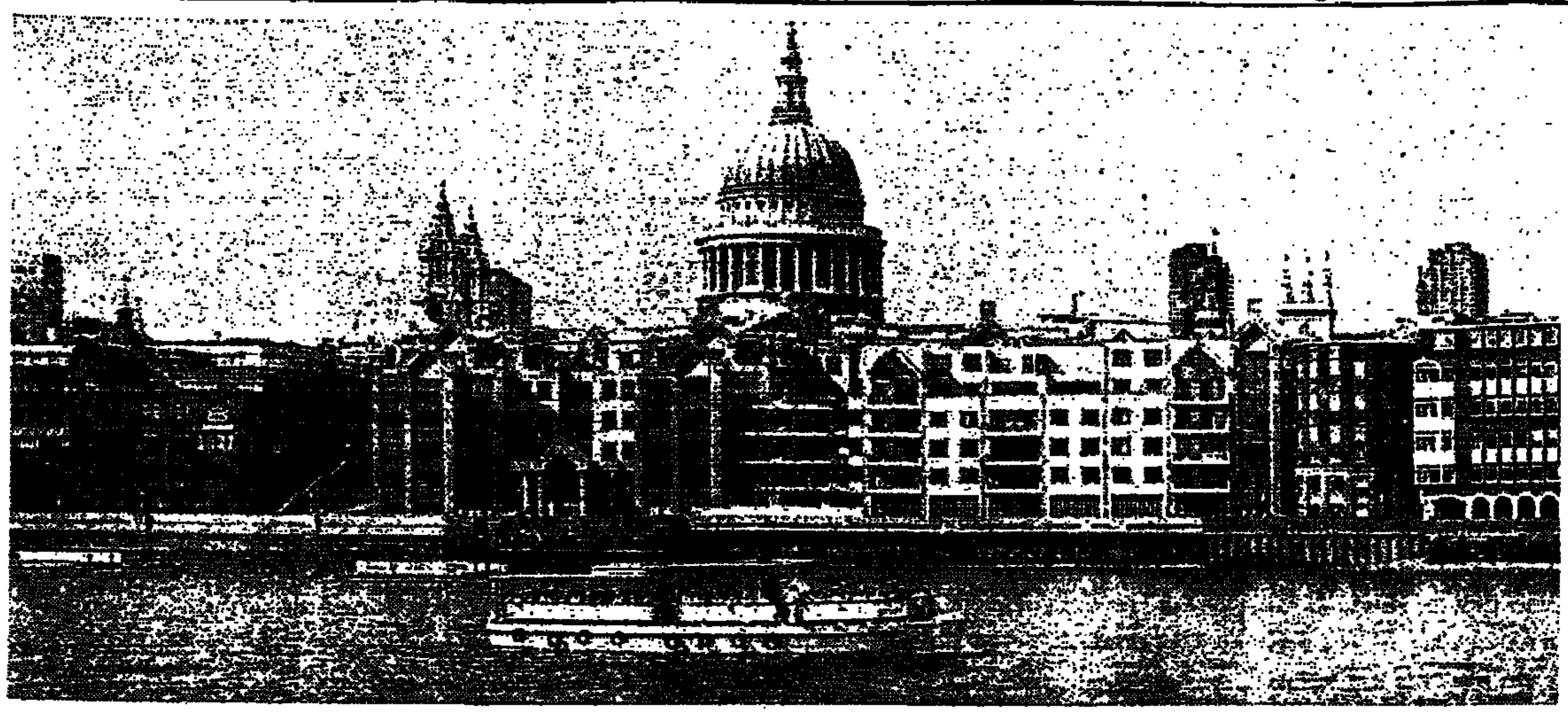
DOWNLAND ESTATES has paid £4.25m for the former Ridgway's Tea Factory site on the south side of Old Street, 100 yards east of the roundabout and close to the underground station.

An application has been made for 50,000 sq ft of office accommodation with 26 car spaces in seven separate buildings around a courtyard. Each unit will be for sale freehold and should be available in early 1990. Units vary in size from 3,000 to 10,000 sq ft.

The buildings are aimed to satisfy the demand for City fringe locations from occupiers who wish to acquire freehold office sites.

ملحقا من الأصل

Long-term skills weakness could hit London's competitive edge as a financial centre



LEP House, the 200,000 sq ft complex at Sunlight Wharf, Upper Thames Street: fitting-out started early

The gold dust on Concorde

GOOD TIMING is crucial for survival in the rough waters of property development. Costs and returns move in a complex rhythm of independent currents, and anticipating how these will move can be like edging a heaving boat ashore after planning years ahead that everything would come together at the right moment.

To get it wrong can result in anything from a mild wetting to a capsize.

City office developers are watching nervously as they feel the tide of rent increases which floated many vessels begin to slow just as counter-currents of interest rates and building costs strengthen.

Construction costs are rising at their fastest rate since the early 1970s as development booms and builders boost tender prices to make up for the barren years.

A national forecast by E. C. Harris, quantity surveyors, predicts a 13 per cent increase in tender prices this year - twice the predicted rise in construction costs. This is led from the South East, where giant projects such as the Channel Tunnel, London Docklands and Broadgate are soaking up materials and labour.

The City has become the victim of its own success, with so much building going on that employers have to go to ridiculous lengths to find skilled workers, let alone the extra money to pay them.

At one time national wage agreements enabled labour costs to be planned reasonably accurately, but E. C. Harris says the self-employed now make up more than half the industry, and they can raise their price to suit the market.

Skilled workers, ranging from bricklayers to electricians and lift engineers are becoming as rare as gold dust. Johnson Jackson Jeff, project planning consultants in charge of such schemes as the 600,000 sq ft Royal Mint Court, has just spent more than £30,000 to hire Concorde for a day as a gimmick to attract surveyors and engineers for interviews.

However, delivery delays on building materials, such as concrete and curtain walling, are posing as big a problem. Mr Bob Field of JJJ points out that delivery periods are stretching out as supplies dry up. For instance, lead times on cladding panels rose by 30 per cent to more than seven months in the early part of this year.

E. C. Harris blames the impact of "super sites" such as Broadgate, which it says have cornered the market for steelwork and forced up prices. Now the Canary Wharf machine is taking over.

Mr Derek Hammond, chairman of Project Management International, says the whole of Redpath Dorman Long's output of structural steel has been taken by the docklands complex for the next two years, which means other builders having to search abroad for their supplies.

Developers protest that they are seeing few problems on the ground at the moment, but this could be because most will have secured their supplies long ago. The worst effects are still to come.

On their own these extra costs might have a marginal effect on profit margins and add only a few pence per square foot to rents. But this must be placed in the context of weakening rent increases and the threat of other rising expenses such as the new VAT charge and a much higher uniform business rates.

Pressure to improve building efficiency and control costs will become even more important as these influence customers in the early 1990s. "Design will have to meet cost levels rather than costs following designs," Mr Hammond says. But developers cannot afford to cut corners when tenants are demanding more for their money in a buyers' market.

Selection of sub-contractors in future could hinge less on cost than on those which have the labour and materials to carry out their work.

Fast-track building is already widely used to minimise construction times and start rents flowing earlier. Prefabrication is also becoming standard practice, particularly in the services that go into buildings.

Electrical, air-conditioning and other services in some city developments now make up 40 per cent of the overall costs of some city projects, so any savings here can be crucial.

"To win work, management and main contractors are committing themselves to shorter construction periods," says Mr Ken Escott of Crown House Engineering, now one of the country's top five contractors after being bought out by the management from Coloroll a year ago. The burden then falls on services contractors to squeeze installation into this compressed schedule.

Crown has developed off-site prefabrication packages which will be installed into the 825ft Canary Wharf block in a joint venture with Niagara Mechanical Services of Toronto.

The problem with time-saving fast-tracking is that it puts even more pressure on the labour market, as the techniques require greater numbers of skilled workers and supervisors on site. Mr Escott says Crown has had fewer problems than others, however, because it continued recruiting and training engineers and tradesmen through the lean years. Another 150 apprentices are being employed this year.

Developers have opted for shell-and-core schemes partly to offer the maximum choice for the way occupiers use a building but also because it shortens the contract programme. This leaves tenants with the burden of keeping down costs since fitting out can now take up as much as half the overall outgoings.

Pre-lets make up the bulk of the City market but tenants' contractors often have to wait around until the construction team is out of the way. So project managers are pushing to get on site earlier.

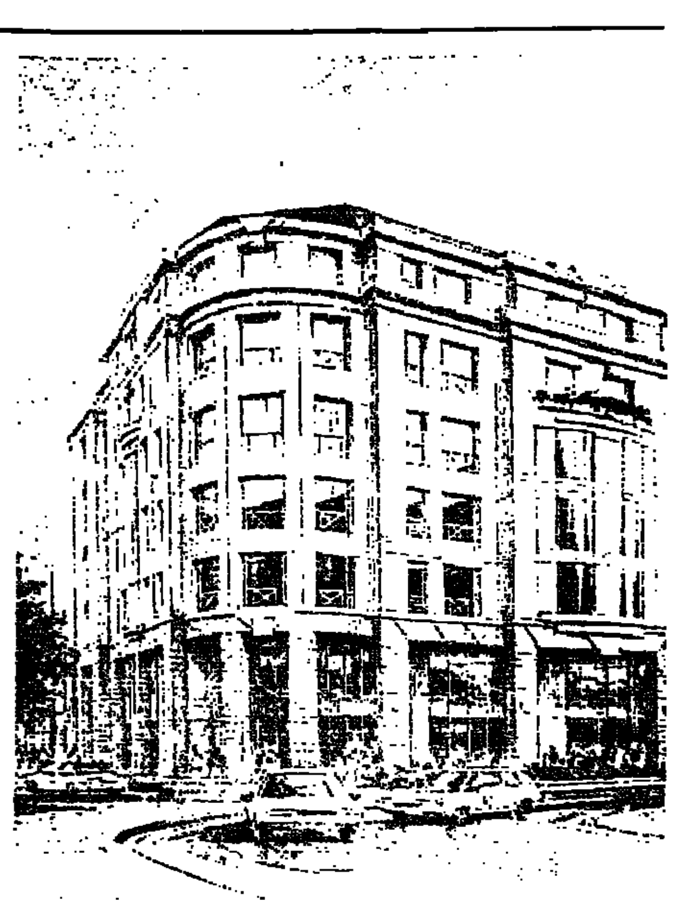
PMI worked out an agreement with LEP for the partial release of space on the 200,000 sq ft complex it has pre-let to Swiss Bank Corporation at Sunlight Wharf on the banks of the Thames. The 54-week process of installing services started five months earlier than it normally would, as fitting-out contractors moved in behind the builders as they released sections of floors.

The City is racing to catch up with its New York rival in making greater use of such faster and more flexible building methods, but there is still an obvious gulf in many cases. Mr Julian Ryder Richardson is involved in a some of the City's biggest schemes as a senior partner of architects GMW. He points out that shell-and-core building requires a sophisticated level of building management by the owner and a well-organised flow of information about the technicalities of a building from the developer's consultants to the tenant's. Many have not yet reached this level of sophistication.

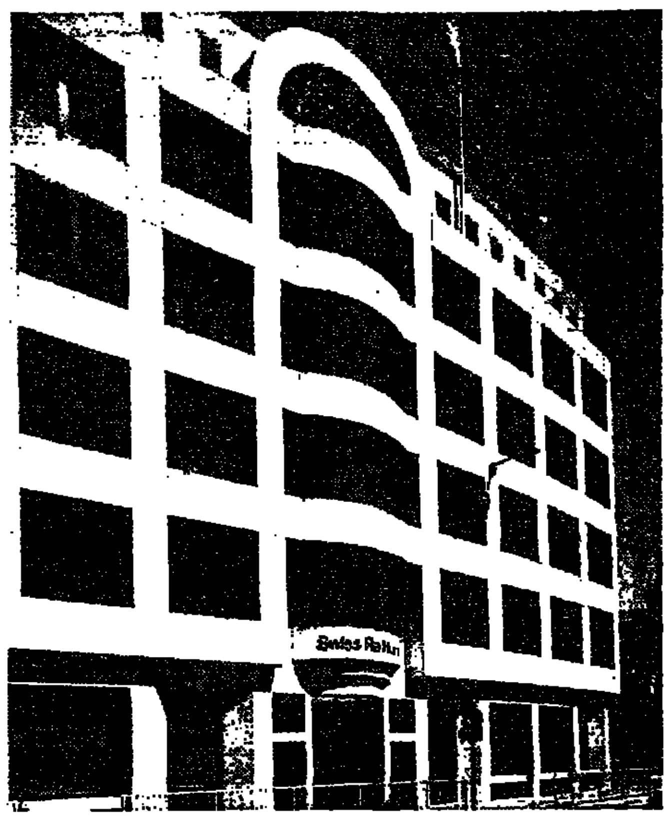
Skilled labour also raises its head again as an important factor. US tenants do not have to rely as much on built-in flexibility, such as providing raised floors, since they can pick up a phone and have an electrical contractor move outlets within the hour. The UK lacks this building maintenance industry, Mr Richardson says.

This shows that the lack of depth in building and maintenance skills is not just a cyclical problem which will go away when the storm of City construction subsides. It is a long-term weakness that will have to be tackled if London is to maintain its competitive edge with other world financial centres.

David Lawson



Prudential Assurance's office development in Camomile St and (below) Speyhawk's Leadenhall-Mitre St building for Swiss Re



Developers may have to think harder about what the customer wants

Tenants start to call the tune

LUNCH BREAKS have become distressingly short these days as City folk rush back from their Perrier and sandwiches to relieve groaning desks of mountainous in-trays. Even thetraditional dog days of past languid summers are a memory. Today's Bright Young Things simply refuse to sell in May and go away.

But there is one sure way of enticing an harassed executive into a second (or third) bottle of claret and watching the afternoon drift away: ask him what he thinks of his office accommodation.

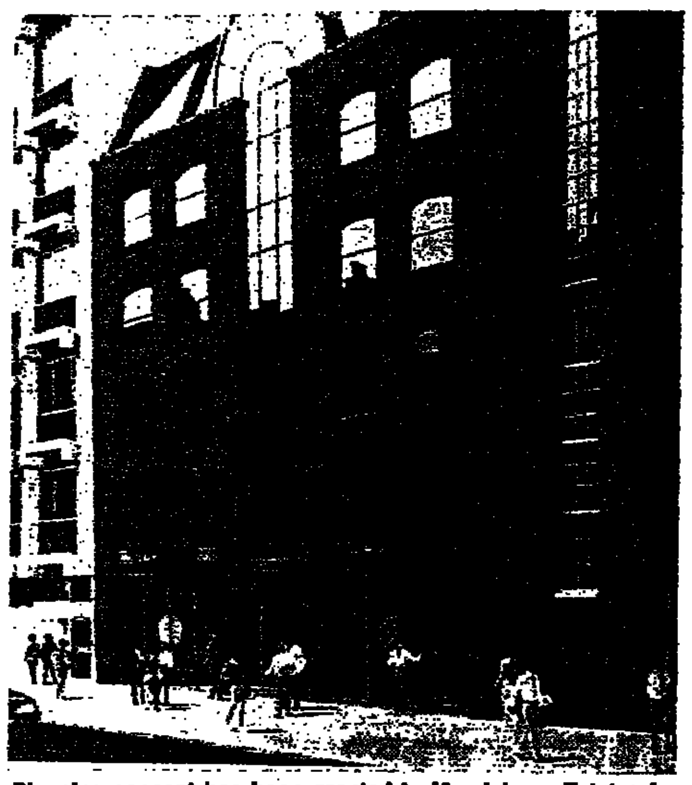
Even the shiniest, most modern, high-tech, state-of-the-art-with-knobs-on office block has critics (look at the Lloyd's Building). It will be too small, or too big, or too far away from the station, or too awkward to fit in the extra computer being sent over from New York.

The trouble is that tenants have not had a lot of say over the years about the buildings they are offered. Developers tend to plough their own path, producing all-purpose speculative buildings which will appeal to the widest range of businesses. And while the market has been booming, many tenants took what they could get for the price available rather than search for something better.

But as those prices soar, occupiers are digging in their heels and demanding value for money. Tenants are slowly but surely taking control, forcing developers to think harder about what the customer wants.

Efficiency is probably the first priority. It can cost more to accommodate a City secretary than she takes in wages, and rising rents are not solely to blame. Bills for services such as maintenance and heating added more than £12 a sq ft to the cost of an average central London building last year according to the annual index produced by Space Planning Services (SPS). In the best City areas overall costs reached more than £10,000 per employee per year.

Prematurely ageing office blocks left over from the last property boom are the worst culprits. They are becoming almost unlettable unless landlords rip them apart. But even modern buildings present problems. Many occupiers are expanding like Topsy but cannot find new premises or will not pay soaring rents.



Planning consent has been granted to Marylebone Estates for 17,000 sq ft office accommodation at 52-54 St John Street, EC1

Instead, they are squeezing the maximum use out of existing offices through increasingly sophisticated calculations run through the computers of specialists such as SPC. Many major City users change their operations so rapidly that they need regular "audits" to rearrange the jigsaw of desks, partitions and computer links.

The sheer chaos of noisy rebuilding and rerouting of cabling through a busy office has ground into tenants the determination that their next building will be better than the last. So developers are forced to think hard about what tenants may want when they are designing the City's newest blocks.

After the chaos of the technological revolution, flexibility to meet future change is the first priority for tenants, according to a review by property consultants Debenham Tewson & Chinnocks (DTC). A third of City occupiers questioned were unhappy with their ability to adapt. Almost 70 per cent use a mainframe computer (compared with less than half for the country as a whole), implying a network of desk-top terminals which will require regular uprating and shifting about as operations evolve.

Most modern buildings have raised floors which makes cable changes easier. But six-inch voids are already insufficient, with most occupiers telling DTC they needed another couple of inches. A quarter also want more height than the average 9ft 3in between floor and ceiling because of the cramping caused by raised floors and suspended ceilings.

The perfect solution for the vast majority would be a building designed just for their needs, or if not, a bare finish to shell-and-core. That leaves developers in a dilemma. Pre-lets have been common during recent shortages, but no matter what a tenant writes on a questionnaire, it can be the devil's job to let an unfinished building.

The average potential tenant has tended to be sadly lacking in imagination. He (or she) just can't envisage the finished product. So the partitions and carpets go in, the ceilings are hung, the potential tenant swoons with joy — and then sends in the fitters to tear it all out and start again.

But things have moved on since the days when the chairman merely asked whether a new home was in the right place, looked right and was big enough, says Mr David Todd of Edward Erdman. Whole team of advisers are brought in nowadays to go into the details of the mechanics and electrics of this complex new beast.

Intermediaries who take over the whole project for tenantsare becoming more common. As Mr Derek Hammond, chairman of Project Management International, points out, fitting out can form half the overall costs of a building, so tight controls are needed for the tenant on everything from initial planning to legal and financial negotiations with the developer.

Occupiers usually have a reasonable idea about the overall shape and scale of the space they think they need, but even that has changed. Every City development seemed to boast giant dealing floors a couple of years ago but these are now the stuff of history. The average tenant now wants no more than 18 metres of window-to-window depth to contain cellular offices each side of open plan areas, according to Mr Bill Peach of Baker Harris Saunders.

"Most developers realised this change quickly and are back to putting atria into their buildings. Broadgate is a good example of changing times. The first phases were full of dealing floors and the latest are split 50:50 between cellular and open plan."

So developers are responding to changing tenant demands, but does that make the best product to meet future needs? Occupiers themselves may be unsure about their future needs — which is perhaps why they are so keen on the idea of maximum flexibility.

Tenants were very precise in the dimensions they required before Big Bang for giant dealing rooms, as though the bigger the rooms were, the more business they could grab. Mr Roger Henderson, chairman of Space Planning Services, was already pointing out that these halls of mammon might prove useless for anything other than aircraft hangars or sports arenas if smaller operations became fashionable and technology improved. He has not changed his mind.

More subtle new influences on the new City may also be lost on both tenants and developers. The computer, for instance, sets not just the shape of office layouts but the pace of work. At one time 50 clerks would work at their own pace on routine tasks relieved by banter and gossip, making a relaxed and close community. Now a handful of specialists monitor a much higher volume of electronic data.

"This is demanding and stressful," says Mr Henderson. "And a person under stress is much more aware of physical discomfort."

That is how the "sick building" syndrome arises, with an epidemic of aches and pains sapping the morale of staff. Molehills become mountains very quickly unless work areas are designed to even higher standards than before. Changing a typing pool into a word processing pool without reconsidering the job or office layout is a classic blind spot of executives rarely in the place. Ignoring the need for relaxation areas is another.

But decision-makers may also forget their own needs. Team meetings are invariably geared to a computer terminal ratherthan a spare conference room nowadays.

Such complexity within one organisation shows that there is no longer a standard solution to tenants' requirements, says Mr Henderson. Clear briefing is essential to come close to meeting possible problems. But some developers may question whether occupiers can provide any clearer picture than they draw themselves from intuition and day-to-day experience of building for a wide variety of businesses.

Perhaps the tape recorders monitoring naughty dealers in their oversized offices might be extended to lunch tables around the City. For each bottle of claret they would come up with just about every fault that needs to be ironed out of the system. But would the taxman wear the alcohol bill as yet another allowable cost of occupation?

David Lawson